

LAC

Report to the General Assembly

April 1996

**A Limited-Scope
Review of the
South Carolina
State Department
of Education**



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Executive Summary

Members of the General Assembly requested that we report on selected administrative functions of the State Department of Education. Audit objectives (see p. 1) dictated that much of the expenditure data we present is descriptive and does not include recommendations.

In each of the three years, FY 92-93 through FY 94-95, SDE's administrative expenditures comprised approximately 2% of total expenditures. Approximately 95% of the total funds were passed through to other entities such as school districts (see p. 10). Approximately 3% of the expenditures were spent for textbooks, testing, and transportation in direct support of schools.

Our results are summarized below.

- ☐ Both the total number of SDE's employees and salary expenditures have decreased from 1990 to 1995. The number of managers at SDE and the percentage of salary expenditures paid to managers have declined relative to SDE's total employees and total salary expenditures (see p. 5).
- ☐ We reported on two categories of temporary employees. The expenditures for temporary positions (state positions which are not permanent) ranged from \$182,506 in FY 92-93 to \$329,236 in FY 94-95. Temporary services (services provided by individuals on contract with employment agencies) expenditures ranged from \$196,586 in FY 92-93 to \$413,771 in FY 93-94. Expenditures in this category peaked in FY 93-94 because temporary services were used to fill in for individuals who took advantage of a state early retirement incentive (see p. 15).
- ☐ The majority of SDE employees earn less than \$30,000 a year. In FY 95-96, 589 (65%) employees earned less than \$30,000 while 85 (9%) earned over \$50,000 (see p. 17).
- ☐ In FY 94-95, South Carolina received approximately \$279,035,487 in federal funds. Three percent of the total was retained by SDE, while the rest was passed through to other entities, primarily school districts. Child nutrition programs (such as the school lunch program) and Chapter I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 2701) programs for the children of low income families accounted for 70% of the federal funds received (see p. 18).

- ❑ From January 1993 to June 1995, SDE employees had flown on 93 flights on state aircraft at a total cost of \$58,000. The superintendent of education incurred higher costs for the use of state aircraft during this period than did the other constitutional officers. We found no evidence that the superintendent's travel was for other than official business (see p. 20).
- ❑ SDE spent almost \$200,000 for building renovations during the three-year period we reviewed. Many of the renovations were to consolidate offices within SDE's headquarters building and to move offices out of nonstate-owned buildings (see p. 28). Rental expenditures dropped from approximately \$344,000 in FY 89-90 to approximately \$196,000 in FY 94-95.
- ❑ Senior executive assistants each averaged 43 days a year on which they spent some time out of their Columbia offices from FY 92-93 through FY 94-95 doing such things as visiting South Carolina schools or attending conferences. The superintendent averaged 57 weekdays a year on which she spent some time out of the office. The superintendent also spent an average of 16 nonwork days (weekends) a year out of town on official business. We found no evidence that any travel by the superintendent or senior executive officials was for other than official business (see p. 31).
- ❑ SDE's catering costs and associated meeting hall rental charges for conferences, meetings, or training functions ranged from approximately \$64,000 in FY 92-93 to \$318,000 in FY 94-95. SDE complied with the appropriate state regulations in renting conference facilities (see p. 35).
- ❑ We found no material problems with the department's written Freedom of Information Act (FOIA) policy, the timeliness of its responses, its procedures for estimating charges, or its fees for photocopying. However, we recommend some procedural changes (see p. 37).
- ❑ In FY 94-95, a total of 10 SDE employees performed public relations functions such as communicating with the public and the news media and assisting the public in resolving problems with the educational system. Expenditures were approximately \$620,000 (see p. 39).
- ❑ SDE's decision to lease office space in the book depository building should be reexamined (see p. 40).

Since 1936, the State Board of Education (SBE) has designated the R. L. Bryan Company as the central textbook depository for ordering and distributing textbooks and other instructional materials. We found several areas of concern in this system.

- ☐ No written terms set forth the agreement between SBE and the depository for the distribution of approximately \$30 million in new textbooks (see p. 46).
- ☐ State disbursements to the depository for freight for new instructional materials were approximately \$1.9 million from FY 92-93 through FY 94-95. The state could have saved approximately \$1.2 million from FY 92-93 through FY 94-95 by paying the publishers' wholesale prices plus *actual freight costs* (see p. 47). This change would not reduce the number of books available.
- ☐ The state paid the depository \$1.7 million during FY 92-93 through FY 94-95 under the used-book contract, but has never evaluated whether the arrangement is economical and effective. South Carolina could save approximately \$509,000 annually by discontinuing the used-book contract. Alternatively, the state could save approximately \$373,828 over the life of the five-year contract by using a more appropriate base upon which to figure payments (see p. 49).
- ☐ South Carolina's contract requirement with publishers allows price increases in the fifth and sixth years. Contract extensions in the fifth and sixth years for 1990 and 1991 materials cost the state approximately \$777,000 in 1995-96 (see p. 51).
- ☐ The State Board of Education does not monitor key provisions in contracts with publishers. No information is kept concerning price comparisons to ensure that South Carolina is receiving the lowest price, as required by contract. Publishers are required by contract to furnish adopted materials to the depository within 15 days. But it now takes an average of 43 days to completely fill orders. Contracts provide fiscal penalties when materials are provided late, but are not enforced (see p. 52).
- ☐ We identified as issues for further study the methods used for allocating library and instructional materials funds to the districts (see p. 57).

Executive Summary

Introduction and Background

Audit Objectives

Members of the General Assembly requested that the Legislative Audit Council report on administrative issues and expenditures at the State Department of Education (SDE). We conducted survey fieldwork at SDE and consulted with the audit requestors to clarify issues and define objectives. Based on meetings and issues outlined in correspondence, we focused our review on administrative functions of the department and limited the scope of our audit to FY 92-93 through FY 94-95. We did not review the effectiveness of the department's educational programs or initiatives. We were asked to provide:

- ❑ A three-year breakdown of SDE expenditures by source of funds and program category. This includes federal funds.
- ❑ An examination of SDE's travel expenditures to determine if they complied with laws and regulations.
- ❑ An examination of SDE's procurement of trainers and management and education consultants to determine if SDE practices complied with laws and regulations.
- ❑ Information on executive-level salaries, public information expenditures, and general administrative expenditures.
- ❑ An examination of SDE's process and charges for fulfilling FOIA requests to determine if they complied with the law.
- ❑ An examination of the system for procuring and distributing textbooks to determine whether compliance with the law has been achieved. We did not review the process used to decide on specific textbooks. Additionally, we reported on inefficiencies and unnecessary costs in the system.

We did not audit expenditures at the school district level and did not review the effectiveness of the department's educational programs or initiatives.

Audit Scope and Methodology

The primary period of our review was three fiscal years, FY 92-93 through FY 94-95. In conducting our audit, we examined reports and financial records from SDE, the Office of the Comptroller General, the Department of Commerce, Division of Aeronautics, and several offices of the State Budget and Control Board. We conducted interviews with SDE staff, staff of other state agencies, and interested parties. We also conducted interviews and reviewed documents from other states and from the federal government.

In general, we did not audit expenditures made by the Governor's School for Science and Mathematics in Hartsville. However, when we could not easily isolate those expenditures, we included them in our audit of SDE. In particular audit sections, such as travel, we note that governor's school data is included.

We reviewed a randomly selected sample of consultant vouchers using statistical and spreadsheet software. We used judgmental samples to review other expenditures such as renovations, office equipment, and office moves. We also examined the Office of the State Auditor's review of internal controls over federal funds and reviewed their workpapers and audit plans for the three federal programs with the largest amounts of funds. For a discussion of the scope and methodology for reviewing instructional materials, see Appendix B.

We did not review SDE's compliance with procurement laws and regulations since the State Budget and Control Board's Office of Audit and Certification conducted a procurement audit of SDE in 1996. It is the policy of the audit council to avoid duplicating the work of other governmental auditors.

At the request of members of the General Assembly, much of the expenditure data we present is descriptive and does not include recommendations. In those areas with findings and recommendations, the primary criteria we used are explained in the text.

We did not review the reliability of computer-generated data provided by SDE. However, where possible, we compared SDE's data with data generated by other state agencies such as the Office of the Comptroller General and the Office of Human Resources. When SDE's data is viewed in the context of other available evidence, we believe the information and conclusions presented in this report are valid. Unless otherwise noted, SDE is the source of all tables in this report.

This audit was conducted in accordance with generally accepted government auditing standards. There were no scope impairments.

Background

At the state level, education of South Carolina's public school students is the responsibility of the State Board of Education (SBE), the state superintendent of education, and the State Department of Education. In FY 94-95, 636,882 students were enrolled in the state's 91 school districts.

SBE is a constitutional body consisting of 17 members. One member is appointed by the Governor. The legislative delegations representing the state's 16 judicial circuits each appoint one member. The state board adopts policies, rules, and regulations pertaining to public education. It adopts standards for facilities construction, prescribes courses, establishes criteria for academic achievement, and adopts standards for teacher certification. In addition, the board approves textbooks and other instructional materials.

The state superintendent of education is a constitutional officer elected for a four-year term. The superintendent serves as administrative officer of the state's public education system and as secretary and administrative officer for SBE. The superintendent oversees state and federal public education funds, staffs and administers SDE, and informs the public, the educational community, and the General Assembly about the status of public education.

SDE is organized into eight divisions: business, collaboration, curriculum, development, educational initiatives, regional services, support services, and internal administration (see Appendix A). The department has regulatory, compliance and technical assistance functions with regard to the state's 91 school districts.

According to the department, SDE also serves as the fiscal agent for the Governor's School for Science and Mathematics. Funds for its operation are included in SDE's appropriations. However, SDE has no authority over the operation of the school which is under the management and control of a separate board of trustees. The Office of the State Auditor issues separate audit reports for the Governor's School for Science and Mathematics and SDE.

Chapter 1
Introduction and Background

Administration

Introduction

This chapter reports on a range of administrative issues at the State Department of Education. At the request of the legislators who asked for this audit, much of the data we present is descriptive and does not include audit recommendations. Areas discussed in this chapter include changes in staffing at SDE, public relations positions in the department, time that executive staff spent away from the office on work-related business, and travel costs. Descriptive data is also presented on the use of federal funds, administrative expenditures, postage and printing costs, building renovations, catering, and the use of consultants. Recommendations are made on SDE's procedures for responding to Freedom of Information Act requests.

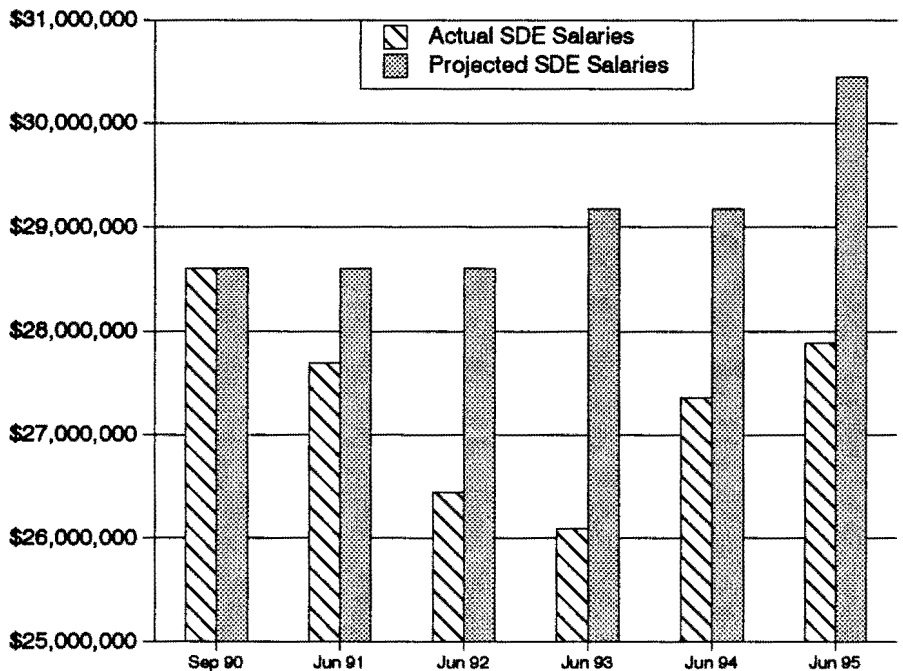
Changes in Staffing

We were requested to review staffing at SDE. We used various measures to compare staff changes at SDE between September 30, 1990, and June 30, 1995. These included changes in the total number of permanent employees at the department, changes in managerial compensation, changes in the number of managers, and changes in the number of employees receiving salaries of \$50,000 or higher. The auditor consulted with SDE to determine which employees to count as managers or administrators. In our calculations we also took into account state-mandated pay raises, as noted below.

Number of Permanent Employees

Between September 1990 and June 1995, the number of permanent employees at SDE decreased from 1,080 to 943; the number of permanent employees includes staff of the Governor's School for Science and Mathematics. According to an SDE document, approximately 80 full-time temporary employees were also eliminated between December 1990 and June 1995. During approximately the same period, as reported by the State Budget and Control Board, filled FTE positions in state government as a whole increased from 66,912 to 67,780. SDE's total salaries expenditures during this period decreased by \$715,029 (3%), from \$28,602,403 to \$27,887,374. If the number of agency employees had remained at the September 1990 level, and employees had maintained their 1990 rank, SDE would have paid approximately \$30,446,500 in salary (including state-mandated pay raises) for the year ending June 1995. By reducing the number of employees, over \$2,500,000 of salary costs in FY 94-95 were avoided, as shown on Graph 2.1.

Graph 2.1: Actual SDE Salaries vs. Projected SDE Salaries at Constant 1990 Employee Level



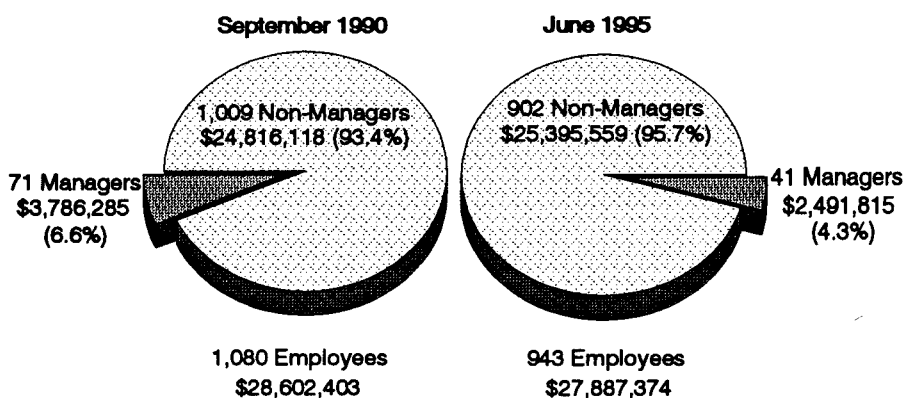
Source: Office of Human Resources and LAC.

Managers' Salaries

The total compensation paid to SDE management has also decreased due to the reduction in number of management *positions* and the departure from SDE of many of the *people* who filled those positions. In September 1990, SDE employed 71 managers or administrators for a total compensation of \$3,786,285 (see Graph 2.2).

By June 1995, 39 (55%) of the individuals filling these positions no longer worked for the department. On June 30, 1995, SDE employed 41 managers and administrators, a reduction of 42% compared to September 1990. Based on payments made in June 1995, an annualized total of \$2,491,815 was paid to these individuals (see Graph 2.2). This is a decrease of \$1,294,470 (34%) in salaries paid to management-level employees.

Graph 2.2: Comparison of Managerial and Non-Managerial Salary Expenditures



Salaries are annualized.

Source: Office of Human Resources and LAC.

If state pay raises are taken into account, the relative decrease in compensation paid to managers is even greater. If SDE had employed the same number of managers in 1995 as in 1990, the agency could have expected to pay \$4,030,394 rather than \$2,491,815 in managerial compensation. In other words, by reducing its number of managers and administrators, SDE avoided \$1,538,579 in managerial salary expenditures for FY 94-95.

Number of Managers

SDE reduced its number of managers and administrators and compressed its levels of management between 1990 and 1995. For example, the 27 chief supervisor positions were eliminated. The number of assistant directors on SDE's payroll was reduced from ten to two. The number of directors has remained at 20; their average salary increased from \$58,575 in 1990 to \$60,222 in 1995. In relative terms, however, the average compensation for directors did not keep pace with the state pay raises. When average state pay raises are taken into account, a salary of \$58,575 in September 1990 is the equivalent of a \$62,351 salary in June 1995.

Although the agency has eliminated the four deputy superintendent positions which existed in September 1990, eight senior executive assistant positions have been created at slightly lower salaries. Sixteen former managers whose

positions have been reclassified to non-managerial rank remain at SDE. Their salaries have not been reduced.

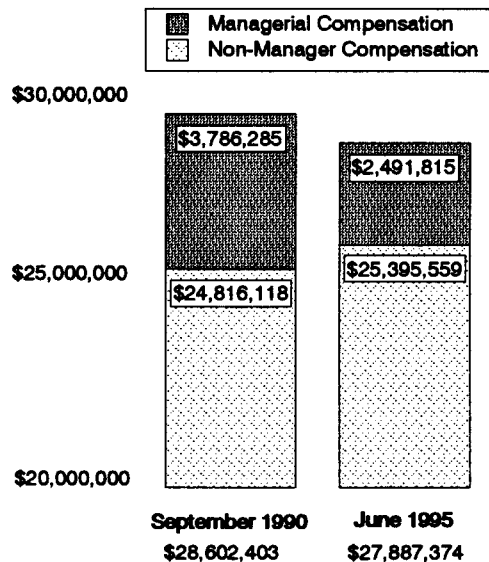
Salaries over \$50,000

Taking into account the effect of legislatively-mandated pay raises, the number of SDE employees, including staff of the Governor's School of Science and Mathematics, earning a salary in June 1995 equivalent to \$50,000 in September 1990 was 60. This is a relative increase of 22%. A salary of \$50,000 in September 1990 is the equivalent of a \$53,224 salary in June 1995.

Although the number of SDE employees earning over \$50,000 increased between September 1990 and June 1995, their average compensation has remained virtually unchanged. In September 1990, the average salary of employees earning over \$50,000 was \$58,662. In June 1990, the average was \$59,397.

In conclusion, the comparisons in this section indicate that SDE has made a steeper reduction in the number of managers and the salary expenditures for management employees than for other categories of employees. This is due in part to reclassification of positions. As noted above, while SDE's total salary expenditures decreased by \$715,029 from September 1990 to June 1995, the salary expenditures for agency managers decreased by \$1,294,470. Graph 2.3 depicts this change.

Graph 2.3: SDE Salary
Expenditures



Source: Office of Human Resources and LAC.

Administrative Expenditures

One of our objectives was to review SDE's administrative expenditures for FY 92-93 through FY 94-95. SDE has applied the Finance Analysis Model to report administrative expenditures to the council. This model was developed by Coopers & Lybrand and the U.S. Chamber of Commerce's Center for Workforce Preparation to provide consistent and useful information on education spending. The model uses the comptroller general's coding to sort audited expenditure information into the appropriate categories. This methodology provides uniformity in the reporting of education expenditures and allows the comparison of expenditures between districts or other states using the model. We reported expenditures in categories requested by the General Assembly.

We did not evaluate the appropriateness of these expenditures. Our tables are affected by some reorganization that took place within the department between FY 92-93 and FY 94-95. Therefore, there are no expenditures shown in some cases.

For FY 92-93 through FY 94-95, SDE provided administration expenditure information by office and source of funds which includes state funds,

operating revenues, Education Improvement Act (EIA) funds, and federal funds.

SDE spent approximately 2% of its budget for administrative expenses in FY 92-93 through FY 94-95. Approximately 95% of SDE funds were sent to other entities as flow-through funds. Approximately 3% of the funds were spent for textbooks, testing, and transportation in direct support of schools.

Table 2.1: Administrative Costs by Division for FY 92-93

Division	State	Operating Revenue	EIA	Federal	Total
Office of Superintendent	\$966,380	\$0	\$0	\$37,581	\$1,003,961
State Board of Education	\$61,398	\$0	\$0	\$0	\$61,398
Budgets and Planning	\$208,439	\$0	\$0	\$0	\$208,439
Business	\$2,563,718	\$43,989	\$244,491	\$237,224	\$3,089,421
Collaboration	\$1,240,833	\$186,316	\$397,849	\$2,599,404	\$4,424,402
Communication	\$596,728	\$10,124	\$0	\$0	\$606,852
Curriculum	\$2,287,682	\$18,317	\$284,606	\$2,256,151	\$4,846,756
Development	\$3,342,579	\$165,731	\$1,595,892	\$837,957	\$5,942,159
Internal Administration	\$759,784	\$6,167	\$265,029	\$0	\$1,030,980
Policy	\$3,437,023	\$404,335	\$1,847,639	\$121,965	\$5,810,961
Support Services	\$1,875,912	\$250,720	\$0	\$714,267	\$2,840,899
Total	\$17,340,476	\$1,085,698	\$4,635,506	\$6,804,550	\$29,866,229

Table 2.2: Administrative Costs by Division for FY 93-94

Division	State	Operating Revenue	EIA	Federal	Total
Office of Superintendent	\$838,977	\$8,471	\$15,487	\$39,263	\$902,198
State Board of Education	\$61,463	\$0	\$0	\$0	\$61,463
Budgets and Planning	\$204,994	\$0	\$0	\$0	\$204,994
Business	\$2,512,801	\$31,203	\$257,875	\$198,552	\$3,000,431
Collaboration	\$1,212,190	\$205,880	\$396,938	\$2,946,420	\$4,761,427
Communication	\$672,907	\$28,067	\$0	\$0	\$700,974
Curriculum	\$2,236,275	\$78,715	\$299,802	\$2,511,683	\$5,126,475
Development	\$3,260,804	\$209,225	\$1,654,928	\$1,400,189	\$6,525,147
Internal Administration	\$729,969	\$7,326	\$233,788	\$2,593	\$973,676
Policy	\$3,472,786	\$144,720	\$1,850,277	\$110,421	\$5,578,204
Support Services	\$1,894,967	\$276,019	\$0	\$1,025,702	\$3,196,688
Total	\$17,098,133	\$989,625	\$4,709,096	\$8,234,822	\$31,031,676

Table 2.3: Administrative Costs by Division for FY 94-95

Division	State	Operating Revenue	EIA	Federal	Total
Office of Superintendent	\$1,262,606	\$29,822	\$23,082	\$47,702	\$1,363,212
State Board of Education	\$65,005	\$192	\$0	\$0	\$65,197
Business	\$2,992,816	\$165,905	\$270,013	\$169,875	\$3,598,609
Collaboration	\$892,294	\$182,280	\$0	\$2,795,070	\$3,869,645
Curriculum	\$2,508,282	\$140,806	\$521,721	\$2,161,227	\$5,332,036
Development	\$3,674,066	\$235,489	\$2,572,251	\$1,472,048	\$7,953,854
Internal Administration	\$802,838	\$10,386	\$248,347	\$0	\$1,061,571
Policy	\$3,628,935	\$277,454	\$994,099	\$105,170	\$5,005,659
Regional Services and Partnership	\$403,006	\$54,555	\$432,086	\$298,447	\$1,188,093
Support Services	\$1,941,880	\$278,850	\$0	\$1,010,945	\$3,231,675
Total	\$18,171,728	\$1,375,739	\$5,061,599	\$8,060,485	\$32,669,551

For all three fiscal years, administrative expenditures comprised approximately 2% of SDE's total budget. The growth in administrative expenditures was approximately 4% from FY 92-93 to FY 93-94 and approximately 5% from FY 93-94 to FY 94-95. During the period of our review, the General Assembly mandated several pay increases which may account for some of the growth in administrative expenditures. Growth in SDE's total expenditures was approximately 5% for each fiscal year.

Postage

We were requested to report SDE's expenditures for postage for FY 92-93 through FY 94-95 by annual total and by month. SDE uses the U.S. mail along with faxes, interagency mail service, and hand deliveries to exchange information with the public and other entities such as schools and school districts. Table 2.4 shows expenditures for postage by SDE division from FY 92-93 through FY 94-95.

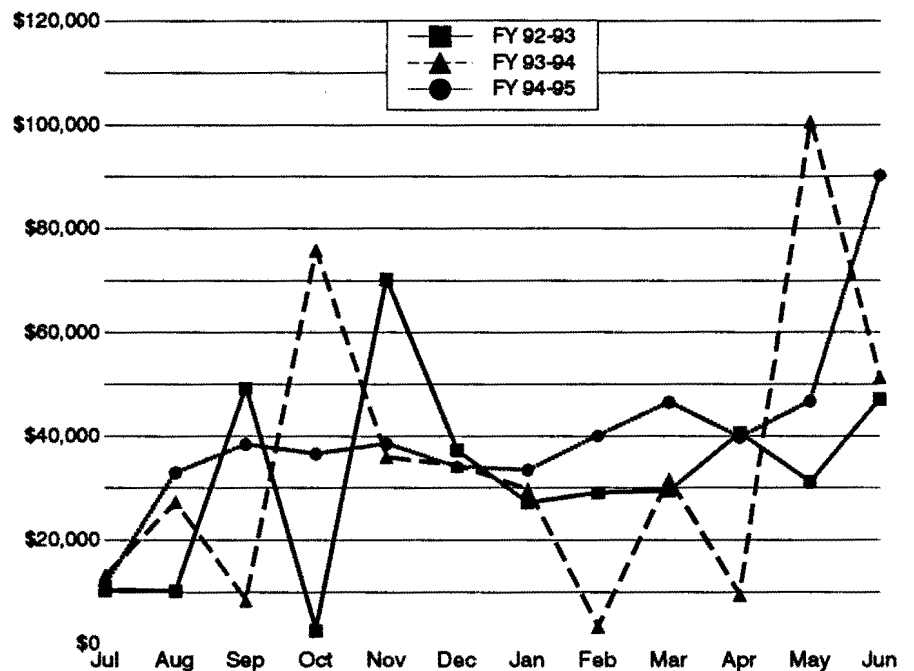
Table 2.4: FY 92-93 Through FY 94-95 Postage Expenditures

Division	FY 92-93	Percent Change	FY 93-94	Percent Change	FY 94-95
Office of Superintendent	\$6,732	63%	\$10,954	100%	\$21,857
State Board of Education	\$1,653	80%	\$2,972	-15%	\$2,536
Budgets and Planning	\$86	-65%	\$30		
Business	\$26,436	10%	\$29,088	9%	\$31,570
Collaboration	\$49,720	27%	\$62,943	-12%	\$55,306
Communications	\$16,309	41%	\$22,948		
Curriculum	\$54,217	33%	\$71,906	-9%	\$65,702
Development	\$111,030	-15%	\$94,342	9%	\$102,944
Internal Administration	\$3,144	41%	\$4,448	32%	\$5,855
Policy	\$60,591	14%	\$68,814	65%	\$113,380
Regional Services and Partnership					\$22,676
Support Services	\$46,902	0%	\$47,123	22%	\$57,596
Total^a	\$376,820	10%	\$415,568	15%	\$479,421

^a Totals include only expenditures for postage, not rental of postage meters.

The following chart graphs the monthly fluctuation in postage expenditures.

Graph 2.4: FY 92-93 Through
FY 94-95 Monthly Postage
Expenditures



SDE spent more funds for postage at the end of the school year than during July and August. Expenditures for postage increased 10% from FY 92-93 to FY 93-94 and 15% from FY 93-94 to FY 94-95. There was a 10% increase in the U.S. Postal Service rate on January 1, 1995.

SDE implemented the use of batch mailings to schools and school districts in FY 93-94 which reduced postage costs. From using batch mail, SDE reported that they avoided costs of \$38,356 (9%) in FY 93-94 and \$27,043 (6%) in FY 94-95 on postage. SDE also uses fax machines, interagency mail (IMS), and hand deliveries to reduce postage costs.

Printing/Copying

We were requested to report SDE's expenditures for printing and copying for FY 92-93 through FY 94-95. SDE has its own printing facility and provides copiers on most floors in the Rutledge Building. Table 2.5 shows expenditures for printing and copying by SDE division for FY 92-93 through FY 94-95.

Table 2.5: FY 92-93 Through FY 94-95 Printing and Copying Expenditures

Division	FY 92-93	Percent Change	FY 93-94	Percent Change	FY 94-95
Office of Superintendent	\$13,036	50%	\$19,533	116%	\$42,110
State Board of Education	\$2,493	-16%	\$2,103	-68%	\$681
Budgets and Planning	\$1,998	-69%	\$620		
Business	\$11,460	30%	\$14,906	-19%	\$12,126
Collaboration	\$86,897	32%	\$114,502	-23%	\$88,389
Communications	\$14,195	-20%	\$11,355		
Curriculum	\$92,937	134%	\$217,913	-57%	\$92,656
Development	\$281,187	53%	\$429,695	-42%	\$247,715
Internal Administration	\$11,935	-5%	\$11,292	-70%	\$3,439
Policy	\$82,793	44%	\$119,325	59%	\$189,916
Regional Services and Partnership					\$53,315
Support Services	\$28,360	10%	\$31,253	137%	\$73,921
Total^a	\$627,291	55%	\$972,498	-17%	\$804,268

^a Totals do not include personal services from SDE printing facility.

Expenditures for printing and copying vary within each division for each fiscal year. For example, expenditures for the curriculum division increased 134% from FY 92-93 to FY 93-94. According to SDE, this increase was due to an expenditure of \$114,000 for printing of maps to support the S.C. Maps Project and the document, "African-Americans and the Palmetto State." Expenditures for the development division increased by almost \$150,000 from FY 92-93 to FY 93-94. According to SDE, this increase was due to spending \$97,716 to print mathematics, foreign language, and visual/performing arts frameworks and \$30,451 to print a needs assessment survey for parents, teachers, and students.

SDE's office of internal audit conducts annual audits of the use of copiers. Through this audit, SDE determines the need for copy machines and the cost per page. SDE has removed copiers and shifted copiers among floors to use them in the most cost-effective manner. SDE encourages the use of its printing facility for large jobs.

Temporary Employees

We were requested to report SDE's expenditures for temporary employees. SDE employs temporary staff through temporary positions and temporary services.

Temporary Positions

Temporary positions are held by employees of the state whose positions have not become permanent. The following table shows SDE's expenditures for these temporary positions by division.

**Table 2.6: Expenditures For
Temporary Positions For FY 92-93
Through FY 94-95**

Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent	\$26,095	\$10,177	\$19,156
Business	\$95	\$3,408	\$6,294
Collaboration	\$12,601	\$16,202	\$29,568
Communications	\$12,003		
Curriculum	\$27,776	\$27,830	\$12,350
Development	\$38,601	\$52,915	\$153,132
Policy	\$28,243	\$27,977	\$22,715
Regional Services and Partnership			\$13,927
Support Services	\$37,092	\$46,502	\$72,094
Total	\$182,506	\$185,010	\$329,236

Expenditures for temporary positions varied within each division for each fiscal year. For example, expenditures for temporary positions increased in the development division by almost 200% from FY 93-94 to FY 94-95. According to SDE, this increase was due, in part, to hiring secretarial support and staffing principal training centers.

Temporary Services

Temporary services include expenditures for employees on contract with professional personnel firms. SDE uses many different personnel firms to provide these services. The following table shows SDE's expenditures for temporary services by division.

**Table 2.7: Temporary Services
For FY 92-93 Through FY 94-95**

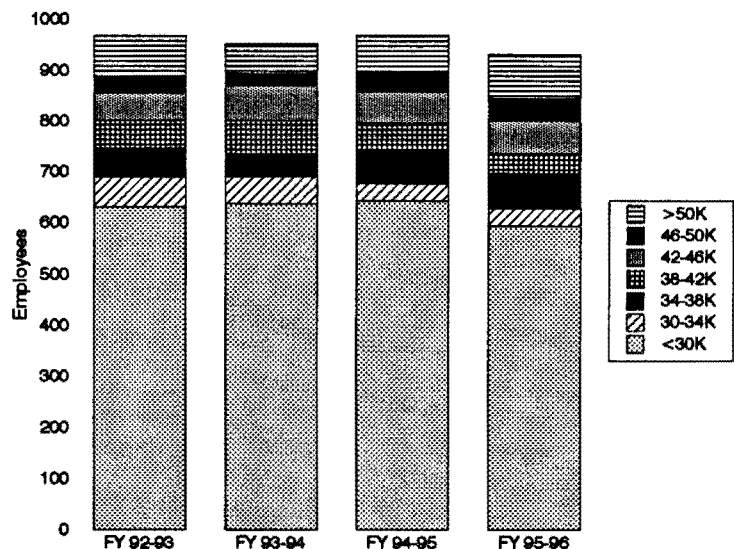
Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent			\$3,645
Budgets and Planning		\$5,213	
Business	\$22,358	\$2,024	\$4,709
Collaboration	\$23,458	\$43,081	\$34,750
Communications	\$7,857	\$5,820	
Curriculum	\$6,683	\$12,301	\$15,089
Development	\$19,386	\$27,203	\$27,753
Internal Administration	\$1,019	\$5,035	\$8,380
Policy	\$44,074	\$47,317	\$52,936
Regional Services and Partnership			\$10,159
Support Services	\$71,753	\$265,777	\$85,621
Total	\$196,586	\$413,771	\$243,041

For FY 94-95, SDE used temporary services mostly to provide secretaries or clerks. The bus shops, which are part of support services, obtain auto technicians from these firms. Support services had a 270% increase in expenditures for temporary services from FY 92-93 to FY 93-94. According to SDE, this was due to hiring retired employees to fill vacancies created by employees taking the state's early retirement incentive. SDE has hired permanent employees to fill some of these vacancies and has left others vacant. Contract labor is now used for occasional vacancies.

SDE Salaries

We were asked to report the salaries of SDE employees. The Freedom of Information Act (FOIA) (§30-4-40(a)(6) of the South Carolina Code of Laws) exempts from disclosure the salaries of employees earning less than \$50,000 except within specified ranges. The following graph details, by FOIA range, the number of employees earning salaries within each range.

Graph 2.5: SDE Salaries by FOIA Ranges



The majority of the employees at SDE earn less than \$30,000. In FY 95-96, 589 (65%) earned less than \$30,000, 232 (26%) earned between \$30,000 and \$50,000, and 85 (9%) earned over \$50,000. Since FY 92-93, the total number of agency employees varied less than 5%.

Summary

The total administrative expenditures for SDE increased at a rate of 2% from FY 92-93 through FY 94-95, or about \$1 million per fiscal year. Expenditures in all areas reported increased, although expenditures in some areas, such as printing and temporary services, increased over 50% in FY 93-94, but then decreased from 15% to 40% in FY 94-95.

Federal Financial Assistance

We were asked to report the total federal financial assistance received and spent by SDE for FY 92-93 through FY 94-95. We were also requested to review the internal controls used by SDE to monitor the expenditure of federal funds.

SDE receives financial assistance from the federal government for many different programs. The majority of these funds are paid on a reimbursement basis as expenses occur. SDE administers the funds but most of the funds are spent by other entities. For all three fiscal years, approximately 97% of the federal funds received were passed through to other entities, such as schools and school districts. On average, only 3% of the federal funds received were spent on administrative and indirect costs.

Approximately 70% of the federal funds received were for child nutrition, such as the school lunch program, and Chapter I of the Elementary Education and Secondary Act of 1965 programs which are targeted at students from low income families. Table 2.8 shows the federal financial assistance received and expended by SDE for FY 92-93 through FY 94-95. The funds are grouped by type of grant.

Table 2.8: SDE Federal Financial Assistance By Type Of Grant For FY 92-93 Through FY 94-95

Grant Name	FY 92-93		FY 93-94		FY 94-95	
	Receipts	Expenditures	Receipts	Expenditures	Receipts	Expenditures
Child Nutrition	\$96,788,674	\$96,756,161	\$122,224,794	\$124,826,200 ^a	\$108,809,564	\$106,184,250
Chapter I	\$93,079,016	\$89,508,118	\$90,433,217	\$90,426,034	\$89,271,843	\$89,273,981 ^a
Special Education	\$37,183,760	\$34,389,734	\$47,444,170	\$47,451,995 ^a	\$36,074,704	\$36,061,717
Vocational Education	\$17,754,959	\$16,847,094	\$19,598,863	\$19,619,061 ^a	\$21,060,554	\$21,056,496
Drug Free Schools	\$6,101,575	\$5,126,118	\$6,219,275	\$6,231,513 ^a	\$4,054,281	\$4,050,259
Educational Improvement	\$6,062,909	\$5,618,102	\$6,549,099	\$6,531,600	\$5,266,165	\$5,272,682 ^a
Adult Education	\$4,552,250	\$3,349,295	\$5,495,771	\$5,497,304 ^a	\$6,242,906	\$6,194,832
Science and Math Education	\$2,284,360	\$1,875,506	\$3,392,003	\$3,388,635	\$5,210,074	\$5,206,927
Other	\$1,847,846	\$1,778,271	\$2,289,901	\$2,297,038 ^a	\$3,045,396	\$3,046,494 ^a
Total	\$265,655,349	\$255,248,399	\$303,647,093	\$306,269,380	\$279,035,487	\$276,347,638

^a Expenditures may exceed receipts in one fiscal year because most grants cover a period of 27 months.

In FY 92-93, South Carolina ranked fifth among the nine southeastern states in the percentage of federal funds in the total education budget (see Table 2.9). South Carolina's total education budget for that year included approximately 16% in federal funding.

Table 2.9: Percentage of Federal Funds in Total Education Budget for Southeastern States for FY 92-93

Rank	Southeastern States	Percentage of Total Funding
1	Mississippi	25%
2	Alabama	22%
3	Tennessee	17%
4	Florida	16%
5	South Carolina	16%
6	North Carolina	13%
7	Kentucky	12%
8	Virginia	11%
9	Georgia	9%

Source: U.S. General Accounting Office.

We were also requested to report the amount of funds received and spent by SDE for the Goals 2000: Educate America Act (P.L. 103-227) which sets forth national education goals and voluntary standards. South Carolina has established state goals compatible with the national education goals rather than adopting the voluntary national standards. In FY 94-95, SDE received \$733,809 and spent \$713,752 for Goals 2000. Those funds were used for planning, professional development, and technology for schools.

Internal Controls Over Federal Funds

We did not review the internal controls used by SDE to monitor the expenditure of federal funds because the Office of the State Auditor conducts an annual statewide single audit of federal financial assistance. As part of this audit, they review the internal controls over the expenditure of federal funds. Any noncompliance with the federal requirements is reported in the audit. For FY 93-94, the Office of the State Auditor reported, as an immaterial instance of noncompliance, that SDE paid approximately \$37,000 from the special education grant for obligations incurred by the school districts after the grant period ended.

Use of State Aircraft

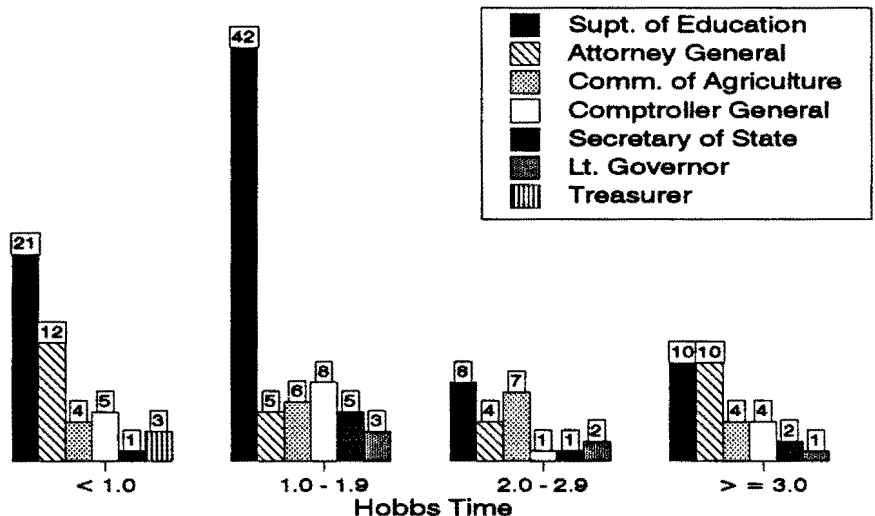
We reviewed the use of the state air fleet by SDE personnel between January 1993 and June 1995. During this period, SDE employees flew on 93 flights costing a total of over \$58,000. The superintendent of education was on all 93 flights; other staff traveled less frequently.

We compared flights made by the superintendent with flights made by other constitutional officers. Flights made by the Governor were excluded because the duties of that office require substantially more air travel. We also excluded the 19 flights where more than one constitutional officer traveled.

Flight logs maintained at the division of aeronautics within the South Carolina Department of Commerce report airplane usage in Hobbs time. Hobbs time is used to calculate the time the aircraft is actually powered, the charge for aircraft rental, and to calculate hours of engine use for maintenance schedules.

As shown on Graph 2.6, the superintendent made 21 flights lasting less than 1.0 unit (approximately 1 hour) of Hobbs time and 42 flights lasting between 1.0 and 2.0 units of Hobbs time. In all flight categories analyzed, the superintendent made as many or more flights than any other constitutional officer whose flights were reviewed (see Graph 2.6).

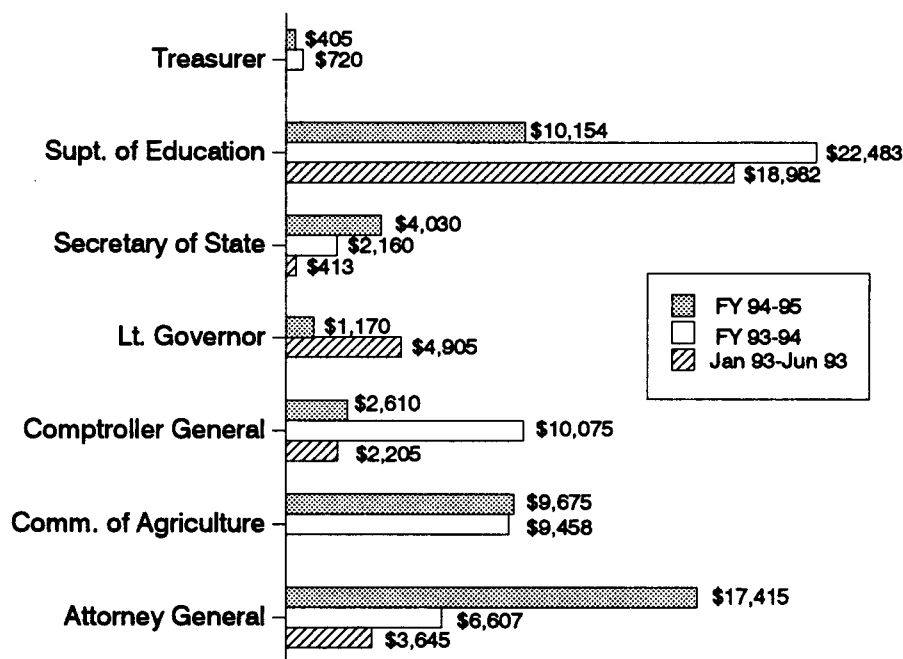
Graph 2.6: Number Of Flights Made By Constitutional Officers By Hobbs Time For January 1993 Through June 1995



Constitutional officers are represented only in the Hobbs time range they used. July 1992 through December 1992 flight logs were not reviewed.
Source: S.C. Department of Commerce, Division of Aeronautics.

Each constitutional officer has different job functions which may result in different travel patterns. Section 59-3-30(4) of the South Carolina Code of Laws requires that the superintendent make personal appearances to keep the public informed as to the problems and needs of the public schools. The superintendent of education incurred the highest costs of all constitutional officers (except the Governor) from January 1993 through June 1994. In FY 94-95, the superintendent's costs were surpassed only by those of the attorney general (see Graph 2.7).

Graph 2.7: Cost of Flights Made
by Constitutional Officers



Source: S.C. Department of Commerce, Division of Aeronautics.

The FY 94-95 appropriation act (proviso 129.49) states that use of state-owned aircraft is for "official business only." However, SDE's internal travel policy, drawn from the appropriation act and State Budget and Control Board regulations, states in part:

A traveler on official business will exercise the same care in incurring expenses and accomplishing an assignment that a prudent person would exercise if traveling on personal business.

Nothing in the records indicates that the superintendent of education's trips were not for official business.

In comparing the cost of airplane travel to car travel, a trip to Clemson, Conway, and Hilton Head each cost \$405 by plane. The costs by car at a reimbursement of 25.5¢ per mile would be \$34, \$33, and \$42, respectively.

Travel

We reviewed travel costs in the following areas: automobile usage and mileage reimbursement, conference registration, nonstate employee travel, travel costs by department, source of funds for travel, costs of in-state travel compared to out-of-state travel, and total travel costs. Charges for employees of the Governor's School for Science and Mathematics were included. The years reviewed were FY 92-93, FY 93-94, and FY 94-95. State auditor's reports for FY 92-93 and FY 93-94 showed no travel-related findings. We did not review compliance with travel laws and regulations.

Vehicle Assignments

We examined SDE's usage of assigned state automobiles and private automobiles. SDE has 12 state-owned vehicles assigned to administration support (see Table 2.10). The vast majority of SDE vehicles are assigned to the office of transportation in direct support of maintenance shop operations. No SDE vehicles are assigned to specific individuals.

**Table 2.10: SDE Vehicle
Assignment for Administration
Support**

Title	Cars Assigned
Administrative Support	5
Instructional Technology Development	7
Total	12

From November 1991 to October 1992, the superintendent traveled 2,400 round-trip commuter miles between home and work. From November 1992 to October 1993, she traveled 2,330 commuter miles. The superintendent complied with tax reporting requirements for this mileage. Since October 1993, the superintendent has operated her own personal vehicle.

Mileage Reimbursement

We examined personally-owned vehicle (POV) mileage reimbursement under several conditions as shown in Table 2.11. A state employee is reimbursed at a lower rate if a state car is available. The total costs for all types of mileage reimbursement were \$155,793 for FY 92-93, \$195,239 for FY 93-94, and \$203,442 for FY 94-95. The majority of these costs were paid for by state appropriations and federal funding (see Table 2.12).

Table 2.11: POV Mileage Reimbursements

Travel Type	FY 92-93	FY 93-94	FY 94-95
In-state, state vehicle not available	\$57,867	\$78,129	\$86,390
In-state, state vehicle available	\$86,472	\$102,246	\$101,981
Out-of-state, state vehicle not available	\$3,032	\$7,363	\$9,088
Out-of-state, state vehicle available	\$8,422	\$7,501	\$5,983
Total	\$155,793	\$195,239	\$203,442

Table 2.12: POV Reimbursement by Funding Category

Funding Category	FY 92-93	FY 93-94	FY 94-95
State Appropriations	\$69,953	\$83,831	\$80,104
Operating Revenue	\$3,013	\$9,628	\$8,171
EIA	\$25,892	\$23,782	\$35,196
Federal	\$56,935	\$77,998	\$79,971
Total	\$155,793	\$195,239	\$203,442

Conference Registration Costs

Conference registration costs for the three years were \$150,715, \$191,737, and \$176,210. State appropriations, EIA funding, and federal funding accounted for the majority of the costs (see Table 2.13).

Table 2.13: Conference Registration by Funding Category

Funding Category	FY 92-93	FY 93-94	FY 94-95
State Appropriations	\$55,881	\$72,776	\$64,455
Operating Revenue	\$5,459	\$25,850	\$27,483
Revolving Inventory Fund	\$15	\$705	
EIA	\$48,957	\$41,040	\$41,346
Federal	\$40,403	\$51,366	\$42,926
Total	\$150,715	\$191,737	\$176,210

Travel Costs by Division

Travel costs are reported by division. Travel costs are defined as in-state and out-of-state meals, lodging, POV reimbursement, air transportation, and other miscellaneous travel expenses. The total cost of travel for each of the three fiscal years examined was \$772,883, \$930,367, and \$877,524 (see Table 2.14).

Table 2.14: Travel Costs By Division — FY 92-93 Through FY 94-95

Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent	\$29,321	\$27,807	\$19,083
State Board of Education	\$24,911	\$22,872	\$27,287
Budgets and Planning ^a	\$670	\$0	
Business	\$9,032	\$10,490	\$9,679
Collaboration	\$126,461	\$145,655	\$108,368
Communication	\$4,401	\$4,908	\$3,032
Curriculum	\$220,824	\$271,098	\$219,066
Development	\$131,879	\$173,120	\$222,545
Internal Administration	\$29,916	\$46,480	\$47,640
Policy	\$73,838	\$52,182	\$37,391
Regional Services and Partnership ^b			\$26,108
Support Services	\$106,411	\$157,788	\$137,259
Governor's School for Science and Math	\$15,219	\$17,967	\$20,066
Total	\$772,883	\$930,367	\$877,524

^a This division was consolidated into the business division after FY 93-94.

^b This division began operations in FY 94-95.

Nonstate Employee Travel Costs

Travel costs for nonstate employees, such as consultants, for the three fiscal years examined were \$474,621, \$754,530, and \$724,028. Federal funding and EIA funding accounted for the majority of the costs each year (see Table 2.15).

**Table 2.15: Nonstate Employee
Travel and Meals by Funding
Source**

	Travel ^a	In-State Meals ^b	Total
FY 92-93			
State Appropriations	\$68,227	\$2,792	\$71,019
Operating Revenue	\$19,355	\$2,484	\$21,839
EIA	\$173,416	\$3,084	\$176,500
Federal	\$202,867	\$2,396	\$205,263
Total	\$463,865	\$10,756	\$474,621
FY 93-94			
State Appropriations	\$61,914	\$2,272	\$64,186
Operating Revenue	\$97,597	\$5,911	\$103,508
EIA	\$239,693	\$3,874	\$243,567
Federal	\$337,676	\$5,593	\$343,269
Total	\$736,880	\$17,650	\$754,530
% Change from FY 92-93	59%	64%	59%
FY 94-95			
State Appropriations	\$54,059	\$561	\$54,620
Operating Revenue	\$131,915	\$2,555	\$134,470
EIA	\$178,815	\$5,173	\$183,988
Federal	\$343,539	\$7,411	\$350,950
Total	\$708,328	\$15,700	\$724,028
% Change from FY 93-94	-4%	-11%	-4%

^a Expenditures for nonstate employees for transportation, mileage, lodging, and meals when in overnight travel status.

^b Expenditures for meals without overnight travel for nonstate employees.

In-State vs. Out-of-State Travel Costs

We compared in-state travel costs to out-of-state travel costs for SDE personnel. Out-of-state destinations for various types of SDE business included Seattle, Washington; St. Louis, Missouri; and Washington, D.C. In-state travel costs were higher than out-of-state travel costs for each year examined. Out-of-state travel in both FY 92-93 and FY 93-94 was 16% lower than in-state travel. In FY 94-95, out-of-state travel was 31% lower than in-state travel (see Table 2.16).

Table 2.16: In-State vs. Out-of-State Travel for SDE Personnel^a

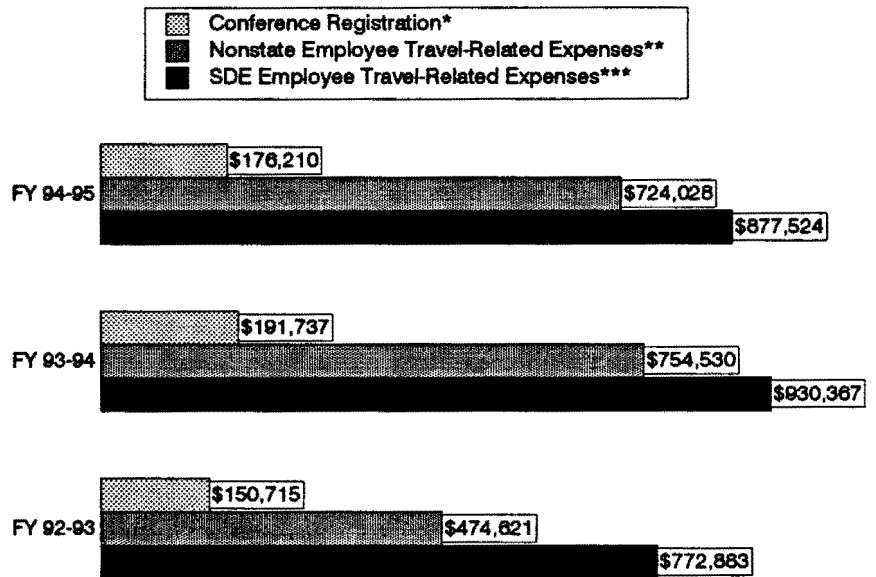
	FY 92-93	FY 93-94	FY 94-95
In-State Travel			
State Appropriations	\$190,112	\$189,772	\$177,751
Operating Revenue	\$7,004	\$27,574	\$13,462
EIA	\$71,387	\$67,906	\$87,486
Federal	\$113,589	\$163,978	\$163,238
Total	\$382,092	\$449,230	\$441,937
Out-of-State Travel			
State Appropriations	\$104,758	\$114,706	\$82,422
Operating Revenue	\$8,406	\$11,741	\$20,884
Revolving Fund ^b		\$1,023	
EIA	\$56,790	\$40,017	\$60,454
Federal	\$149,869	\$208,802	\$142,448
Total	\$319,823	\$376,289	\$306,208
% Difference	16%	16%	31%

- a Table does not include costs incurred for conference registration, leasing of state automobiles, and other minor travel expenses for SDE employees.
- b Funds used for one trip to train a technician for specialized equipment repair.

Total Travel Costs

Total travel expenditures were \$1,398,219 for FY 92-93, \$1,876,634 for FY 93-94, and \$1,777,762 for FY 94-95. These expenditures included all expenditures by state employees and nonstate employees for transportation, mileage, lodging, meals, and fares (e.g., airplanes, railroads, buses, auto rental and other chartered transportation). Conference registration was also included (see Graph 2.8). The two most utilized funding sources for each year were federal funds and state appropriations.

Graph 2.8: Total SDE
Expenditures for Travel



* Costs related to Table 2.13.

** Costs related to Table 2.15.

*** Costs related to Table 2.14.

Renovations and Moving Expenses

We were requested to report the amount of funds SDE spent for building renovations, office moves, and office furnishings. We also report the amount of funds SDE spent on the rental of nonstate-owned property.

Renovations Expenditures

SDE expended almost \$200,000 for renovations from FY 92-93 through FY 94-95. These expenditures were for alterations made to the interior of the Rutledge Building that did not change its structure. According to SDE staff, many renovations were made to consolidate offices within the Rutledge Building and to move offices out of nonstate-owned buildings. The following table shows the expenditures by SDE division for FY 92-93 through FY 94-95.

**Table 2.17: Renovations
Expenditures By Division For
FY 92-93 Through FY 94-95**

Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent	\$7,153	\$4,487	\$13,718
Budgets and Planning	\$25		
Business	\$827	\$3,549	\$25,675
Collaboration	\$1,218	\$12,477	\$239
Communications	\$592	\$3,660	
Curriculum	\$2,107	\$13,831	\$13,118
Development	\$841	\$4,990	\$3,165
Internal Administration	\$748	\$2,202	
Policy	\$467	\$1,249	\$32,264
Regional Services and Partnership			\$259
Support Services	\$11,022	\$16,786	\$13,993
Total	\$25,001	\$63,231	\$102,432

Some examples of the renovations performed in the Rutledge Building include:

- ☐ \$10,239 was spent in FY 93-94 to install 575 square feet of new carpet, through the state contract, for the office of occupational education, part of the collaboration division.
- ☐ \$6,680 was spent in FY 93-94 to renovate the fifth floor including removing and replacing walls, doors, ceiling tile, etc., to consolidate the office of technical assistance.
- ☐ \$21,478 was spent in FY 94-95 to install computer wiring for the local area network (LAN) throughout the Rutledge Building.

Moving Expenditures

SDE expended over \$10,000 for moving expenses during this period. These expenditures were for moves between offices and moves between a warehouse and SDE offices. The following table breaks down the moving expenditures by division.

**Table 2.18: Moving Expenditures
By Division For FY 92-93 Through
FY 94-95**

Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent			\$304
Business	\$302	\$1,416	\$308
Collaboration	\$250	\$2,605	
Curriculum		\$3,135	\$168
Development		\$293	\$984
Internal Administration			\$150
Policy	\$648		\$753
Total	\$1,200	\$7,449	\$2,667

Some examples of expenditures for moving include:

- ☐ \$648 was spent in FY 92-93 for moving materials from a warehouse to the Rutledge Building.
- ☐ \$2,720 was spent in FY 93-94 to consolidate offices on the fifth and eighth floors.
- ☐ \$600 was spent in FY 94-95 for office moves on the tenth floor of the Rutledge Building.

Office Furnishings

SDE spent almost \$200,000 on office furnishings from FY 92-93 through FY 94-95. These expenditures do not include office supplies or computer and copying equipment. The following table shows the expenditures for office furnishings by division.

**Table 2.19: Office Furnishings
Expenditures By Division For
FY 92-93 Through FY 94-95**

Division	FY 92-93	FY 93-94	FY 94-95
Office of Superintendent	\$13,061		\$833
Business	\$523	\$1,152	
Collaboration	\$16,650	\$12,676	\$19,177
Communications		\$1,656	
Curriculum	\$6,470	\$2,684	\$26,708
Development	\$17,978	\$13,660	\$25,358
Internal Administration		\$2,613	\$4,050
Policy		\$1,654	\$1,432
Support Services	\$2,468	\$17,373	\$1,733
Total	\$57,151	\$53,469	\$79,291

Some examples of office furnishings purchased by SDE include:

- ☐ \$9,837 was spent in FY 92-93 for desks, chairs, and other furniture in the office of the general counsel, which is within the office of the superintendent.
- ☐ \$3,220 was spent in FY 93-94 for a display panel for the office of food services.
- ☐ \$9,501 was spent in FY 94-95 for five modular workstations in the office of exceptional children.

Rental of Nonstate-Owned Property

SDE also rents nonstate-owned property. In FY 89-90, SDE paid approximately \$344,000 in rent for 19 offices in nonstate-owned property. In FY 94-95, SDE paid approximately \$196,000 for 7 rental contracts. According to SDE staff, the drop in rent expenditures is due to bringing staff back into the Rutledge Building.

The rental contracts provide office space and some warehouse space in nonstate-owned property located primarily in Columbia. For FY 94-95, the average square-foot charge for office space was \$11.66.

Business Conducted Out of the Office

We were asked to review the number of days spent out of the office by the senior executive assistants and the state superintendent of education. This review excluded annual or sick leave and holidays. There were eight senior executive assistants in FY 94-95 and nine in the other years. The superintendent spent weekend days on state education business and we included this information in our analysis.

During the three-year period, the senior executive assistants each averaged about 43 days per year on which they spent some time out of the office on official business. For FY 93-94, two senior executives had recorded no days out of the office (see Table 2.20).

According to individual position descriptions, senior executive assistants, as part of their job functions, may need to be out of the office representing the department at the 91 school districts, providing training or technical

assistance to approximately 1,100 schools, and attending conferences and other related events. In addition, senior executive assistants may be asked to appear at functions on behalf of the superintendent. For example, a senior executive assistant may speak to a group if the superintendent has a prior commitment.

Based on travel support documents for FY 92-93 through FY 94-95, the superintendent averaged approximately 57 days per year on which she spent some time out of the office on official business. In addition, the superintendent averaged 16 weekend days per year out of the central office location, on SDE-related business (see Table 2.21). These days may not include all days of travel by state planes (see p. 20). Since aircraft logs contain more limited information, we were unable to confirm days spent out of the office by the superintendent during these travels. We relied on agency travel support documents for FY 92-93 through FY 94-95 as the most accurate information available. As previously noted, §59-3-30(4) of the South Carolina Code of Laws requires the state superintendent of education to make personal appearances at public gatherings.

We found no evidence that the travel we reviewed was for other than official business. The vouchers reviewed were thorough and complete.

Table 2.20: Days on Which Senior Executive Assistants Conducted Some Official Business Out of the Office

Job Title	FY 92-93	FY 93-94	FY 94-95	Total	Average Per Year
Budgets and Planning	3	0	*	3	NA
Business	28	29	21	78	26
Collaboration	52	52	45	149	50
Communications	18	0	0	18	NA
Curriculum	65	70	53	188	63
Development	40	66	62	168	56
Internal Administration	59	83	54	196	65
Policy	80	57	30	167	56
Support Services	36	40	64	140	47
Regional Services and Partnership	*	*	11	11	NA
Fiscal Year Total	381	397	340	1,118	373
Fiscal Year Average Per Individual**	42	44	43		

* No senior executive assistant level position in this fiscal year.

** In FY 94-95 there were eight senior executive assistants; in other years there were nine.

Table 2.21: Days on Which the Superintendent Conducted Some Official Business Out of the Office

	Weekdays	Weekends
FY 92-93	44	11
FY 93-94	75	18
FY 94-95	53	20
Total	172	49
Average	57	16

Consulting

We reviewed various consulting expenditures from FY 92-93 through FY 94-95. We relied on information from SDE and the Office of the Comptroller General. We examined the total cost, number of individuals/entities procured as consultants, and what was obtained through the services of the consultants. These figures include Governor's School for Science and Mathematics amounts. We did not review SDE's compliance with procurement laws and regulations since the State Budget and Control Board's Office of Audit and Certification conducted a procurement audit of SDE in 1996. It is the policy of the audit council to avoid duplicating the work of other governmental auditors.

We reviewed SDE's consultant expenditures grouped by the following areas: other professional consultants, management consultants, and education and training consultants. We eliminated from our review consultants in the areas of legal services and research surveys and appraisals. "Consulting" categories cover a broad range of activities from typing a manuscript for a consultant project to designing curriculum components. We determined that the total cost was \$829,894 for FY 92-93, \$1,008,468 for FY 93-94, and \$988,476 for FY 94-95. Federal funds and state EIA funds were the primary funding sources for each year (see Table 2.22).

Table 2.22: Consultant Costs by Source of Funds

Funds	Education/Training	Management	Other Professional	Total
FY 92-93				
State Appropriations	\$90,440	\$7,500	\$38,760	\$136,700
Operating Revenue	\$10,025	\$0	\$0	\$10,025
EIA	\$336,255	\$5,000	\$99,428	\$440,683
Federal	\$179,501	\$0	\$62,985	\$242,486
Total	\$616,221	\$12,500	\$201,173	\$829,894
FY 93-94				
State Appropriations	\$56,894	\$1,388	\$90,556	\$148,838
Operating Revenue	\$21,715	\$0	\$3,138	\$24,853
EIA	\$158,918	\$0	\$188,937	\$347,855
Federal	\$408,093	\$0	\$78,830	\$486,923
Total	\$645,620	\$1,388	\$361,461	\$1,008,469
FY 94-95				
State Appropriations	\$98,645	\$0	\$121,082	\$219,727
Operating Revenue	\$53,415	\$0	\$37,600	\$91,015
EIA	\$254,172	\$0	\$14,213	\$268,385
Federal	\$303,572	\$0	\$105,777	\$409,349
Total	\$709,804	\$0	\$278,672	\$988,476

SDE had consulting contracts with approximately 800 individuals or entities in FY 92-93. In FY 93-94, there were 849 and in FY 94-95, there were 1,220. These do not include state entities such as universities and colleges. The funds paid for services ranged from \$50 to \$71,000. However, most expenditures were under \$1,000.

A random sample of 36 educational consultants was selected to determine what product was produced. In all cases reviewed, the service provided was for an education-related product. For example, one consultant was used to facilitate meetings; others wrote curriculum-related reports. We reviewed a judgmental sample of six tangible products and determined that each product reviewed matched the description given on the voucher.

Catering

We were asked to review catering costs for FY 92-93 through FY 94-95. "Catering" is defined to be any instance where refreshments (i.e., food or drinks) were served at SDE-sponsored conferences and meetings (including intra-agency ones). Where applicable, the related charges accrued for renting of rooms to hold meetings at which food or refreshments were served are also included. In addition, we performed a judgmental sampling to determine if proper procedures were followed in the renting of conference facilities where catering occurred. These figures include Governor's School for Science and Mathematics amounts.

SDE's estimated catering costs were approximately \$45,000 for FY 92-93 and \$194,000 for FY 93-94. We found the FY 94-95 costs to be approximately \$260,000. Related room rental costs were approximately \$18,000, \$52,000, and \$58,000 for FY 92-93, FY 93-94, and FY 94-95, respectively. Room rental is included because catering needs may dictate the type of room chosen or may necessitate the renting of additional space (see Table 2.23).

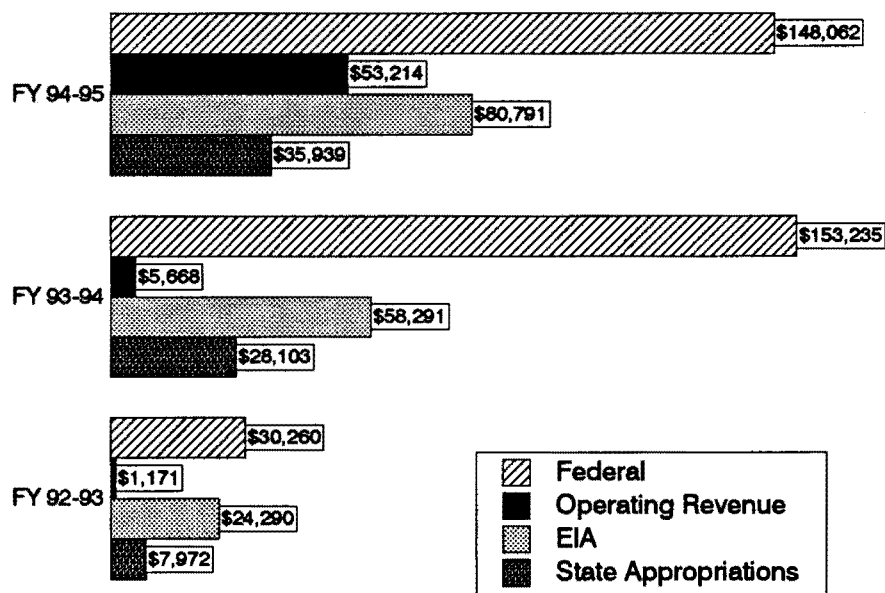
Table 2.23: Catering and Rental
Costs — FY 92-93 Through
FY 94-95

	Catering	Rental	Total
FY 92-93 ^a			\$63,693
FY 93-94 ^a			\$245,297
FY 94-95	\$259,691	\$58,315	\$318,006

a Estimated. The comptroller general's STARS system did not have a separate object code for catering expenditures for this year.

We also determined the source of funds for the catering costs. Four sources provided funding: state appropriations, EIA funds, operating revenue, and federal funds. In FY 92-93, EIA funds and federal funds accounted for most of the expenditures. The majority of the cost was paid by federal funds in FY 93-94. In FY 94-95, the cost was more evenly distributed among operating revenue, EIA funds, and federal funds (see Graph 2.9).

Graph 2.9: Catering and Rental
Costs by Funding Source



We reviewed one expenditure of over \$2,000 for each year to determine if proper procedures were followed in the renting of conference facilities for these events. State Budget and Control Board policy requires that an agency must contact a minimum of two hotels/motels in two different cities when the conference is to be held in a different city than the one in which the agency's central office is located. If the conference is held in the same city in which the agency's central office is located, a minimum of two hotels/motels must be contacted in that city. In the cases we reviewed, SDE complied with the appropriate state regulations.

Freedom of Information Act (FOIA) Requests

We examined SDE's handling of requests for information under the state Freedom of Information Act, South Carolina Code of Laws §30-4-10, *et seq.* No material problems were found with the department's written FOIA policy, the timeliness of its responses, its procedures for estimating charges, or its fees for photocopying. We recommend that the files contain documentation for how the charges were determined and the grounds for any fee waivers.

Written FOIA Policy

SDE adopted a written Freedom of Information Act policy in 1969, and subsequently modified it several times. This policy mirrors the state's FOIA law. It defines public records and mandates a timeframe for response. The policy in effect at the time of our review required that each separate office maintain a log of its FOIA requests. (The state FOIA law does not require a log.) The policy specified charges for photocopying and for staff time spent retrieving records. It also stated circumstances under which waivers or reductions in charges could be made. These included cases where the cost to SDE was minimal and situations where "it is deemed in the public interest to waive the fees."

Review of Files

At the time of this review, the department had decentralized FOIA logs. SDE's most recent revision to its FOIA policy, in January 1996, states that the director of the office of public information will maintain a log of all requests received by SDE.

During the period of this review, the superintendent's office, the public information office, and the legal office each maintained a freedom of information request log. There was some overlap among the logs. By examining the logs, we identified FOIA requests received by the department between May 1993, when the legal office started its log, and June 1995. We reviewed files for all the FOIA requests that were handled by either the legal office (29 requests) or the public information office (6 requests). Several of the requests were for easy-to-supply data such as high school graduation rates, copies of minutes, travel of a single employee, and a copy of a report. The requests were answered in a timely fashion either without charge or with a small charge for copying the information.

We also reviewed six FOIA requests that sought large amounts of detailed information that would have been much more difficult to extract and compile. These included requests for information such as lawsuits against the department since January 1991, in-state and out-of-state conferences and workshops attended by staff, consultants used by the department since January 1991, and hurricane damage suffered by Charleston County schools. The most extensive one contained 25 numbered requests for information. The information sought included, in part:

- ☐ Employment-related lawsuits since January 1991.
- ☐ Sole source contracts since January 1991.
- ☐ Name, age, sex, race, highest academic degree, years experience, etc. of unclassified employees and employees at grade 42 or higher (multiple parts to question).
- ☐ Funding for dropout prevention programs since January 1991.
- ☐ All documents pertaining to specified conferences and meetings.
- ☐ Lists (including such information as initial salary, last salary prior to employment at SDE, and termination date, if any) of employees of early childhood education programs, parenting program, public information positions, and certain other employees hired since January 1991.

When informed of the expense involved in gathering this information, the requestor did not pursue it further.

Charges for Filling FOIA Requests

Section 30-4-30(b) of the FOIA allows an agency to "establish and collect fees not to exceed the actual cost of searching for or making copies of the records." In 16 of the 35 FOIA cases we reviewed, the department stated a charge for filling the request. The cost estimates in these files ranged from .03 (per mailing label) to \$20,000 for the request detailed above. Five of the 16 requests were estimated to cost over \$1,000, 4 between \$100 and \$999, and 6 were under \$100. (The charge in one file could not be determined.) Costs included photocopying, postage, running specialized computer programs, and the charges for hourly wages of staff who spent time collecting data or extracting information from records.

The department's methodology for estimating costs in complex cases was not always clearly documented in the files. However, SDE staff were able to satisfactorily explain to us the basis of the cost estimates. We also could not determine from the files why some small information requests were filled with no charge, while there was a modest fee for others. According to an SDE official, some fees were waived in the public interest. In addition,

according to this official, there may be variation between offices and individuals in charging for information where the costs to SDE are minimal.

Comparison With Other Agencies' Charges and Policies on Waivers

We contacted five other large South Carolina agencies to obtain information about their FOIA policies and charges. Two of these agencies (the Department of Mental Health and the Department of Labor, Licensing and Regulation) have written agency-wide FOIA policies. The Department of Education's charges for photocopying (0¢ to 25¢ per page at the time of our review, depending on number of pages copied) are within the ranges we found in the other five agencies. The department's calculations of charges for staff time are also similar to those of the other agencies.

Recommendations

1. SDE should ensure consistent application of fee waivers in those cases where the costs to the agency are minimal. The files should also document if fees have been waived "in the public interest."
2. SDE should document in the files how it determined cost estimates for requests that involve more than photocopying of records.

Public Relations

We were asked to determine the number of employees working in, and the amount of funds spent for, public relations at SDE. Section 59-3-30 of the South Carolina Code of Laws requires the superintendent to keep the public informed about public schools. According to SDE staff, responsibility for public relations was consolidated under the office of the superintendent in FY 94-95. The public information office produces publications such as the *Directory of South Carolina Schools* and handles requests from the news media.

The office of the superintendent also includes public affairs which was created in FY 93-94 to encourage public participation in education decisions. This office uses direct mail, organizes regional forums, and staffs a toll-free hotline. The project administrator, which is also part of the office of the superintendent, assists the public in resolving difficulties with the educational system. This office works within SDE or with school and district officials

to help parents resolve problems. Table 2.24 shows the number of positions and the administrative expenditures for each office.

Table 2.24: Public Relations Positions and Administrative Expenditures

Office	FY 92-93		FY 93-94		FY 94-95	
	Positions	Expenditures	Positions	Expenditures	Positions	Expenditures
Public Information ^a	8	\$360,439	9	\$338,194	6	\$378,055
Office of Superintendent	2	\$77,426	3	\$147,232 ^b	4	\$241,652
Total	10^c	\$437,865	12^c	\$485,426	10^c	\$619,707

a In FY 94-95, public information became part of the office of the superintendent.

b Does not include all non-salary expenditures.

c Four of these individuals are clerical support staff.

The office of public information is headed by a director who reports to the superintendent. The position of senior executive assistant for communications was eliminated in FY 93-94. In FY 90-91, there were six positions in the office of public information. In FY 94-95, the same number of positions remained in the office.

Rental of Office Space

The State Department of Education rents space for its instructional materials office from the R. L. Bryan Company. The agency could save over \$13,000 annually in state resources by providing these employees office space at SDE headquarters.

SDE is leasing 1,350 square feet of office space from the R. L. Bryan Company for the period June 1, 1995, through May 31, 1996, with an option to extend for four more years. The space rents for \$1,125 per month or an annual rate of \$13,500. The lease was processed through the State Budget and Control Board's Division of General Services' Office of Property Management. SDE stated that this arrangement is necessary because the function of the instructional materials office is very closely tied, on a daily basis, to the inventory, service and shipping of the materials located

physically at the depository. Staff feel they are better able to serve the schools with this arrangement.

SDE staff perform such functions as resolving, through the use of a printout, calls from schools regarding orders and shipments, preparing billings to schools for lost and damaged books, identifying returned books for destruction or rebinding, and maintaining files on bid tabulations and adoptions. Some SDE staff also assist in conducting a physical inventory of the used books twice annually. One member of SDE staff, according to the used book contract, is assigned to the depository to oversee the used book operations. Most of these functions could be performed elsewhere.

Three of the four southeastern states in our survey do not locate staff in the central depository. North Carolina operates a state depository. The director of the textbook commission in Tennessee stated it is important to have close interaction between the textbook and curriculum development personnel of the education department.

According to terms of the lease, it is contingent upon:

The R. L. Bryan Company's book warehousing contract ("book depository") with the State of South Carolina Department of Education . . . and the lease shall terminate upon the termination of such contract.

SDE staff also stated that the lease arrangement was necessary to reduce the amount of travel that had been previously necessary between the central SDE headquarters and the warehouse. In prior years, the instructional materials staff had been located in SDE's headquarters at 1429 Senate Street, less than 10 miles from the leased space at 301 Greystone Boulevard.

Analysis of travel support documents shows that all reimbursed travel for FY 92-93 through September 1995, for the textbook staff, was for out-of-town purposes. Office of instructional materials staff stated they were not permitted to file for reimbursement for local travel. Therefore, we cannot confirm the extent of travel required by the staff between the two locations.

Recommendation

3. SDE should evaluate the need to continue leasing office space from R. L. Bryan. If this arrangement is considered necessary, SDE should negotiate the cost of this arrangement as part of the central depository arrangement at no extra cost to the state.

Instructional Materials

Introduction

Section 59-31-290 of the South Carolina Code of Laws authorizes SBE to promulgate regulations, as necessary, to provide for a system of depositories and establish a method of distributing books, also referred to as instructional materials. Section 59-31-320 further *authorizes*, but does not *mandate*, that the board require all publishers with whom textbook contracts have been made to maintain a central depository for the distribution of textbooks, which must be approved by the board. The state has been served since 1936 by a central depository. District depositories are also authorized; however, only one local depository, located in Spartanburg #7 school district, currently exists.

According to SDE officials, the present system of textbook distribution and invoicing began with an agreement between three organizations: the South Carolina Textbook Commission, the R. L. Bryan Company operating under the name of the Central Textbook Depository, and the publishers who had established contracts for furnishing textbooks to the state of South Carolina. The textbook commission ceased to exist in 1970 when its powers were devolved upon SBE. The R. L. Bryan Company continues to serve as the Central Textbook Depository and as agent to the publishers who have contracts to provide textbooks to state schools.

Section 59-31-530 authorizes SBE to negotiate and execute contracts with publishers whereby books are purchased for an initial contract period of not less than one year or more than six years, with provisions for extension.

SDE procures instructional goods and services from the R. L. Bryan Company through the new book arrangement, the large print contract, and the used-book contract. SDE also leases office space from R. L. Bryan. In addition, the department, through R. L. Bryan, orders materials for technical assistance, instructional development, assessment, and monitoring. The following state appropriations were made for new instructional materials for FY 92-93 through FY 94-95.

**Table 3.1: Appropriations for
New Instructional Materials**

Fiscal Year	General Fund	Total
92-93	\$18,672,006	\$19,295,326
93-94	\$17,318,072	\$17,318,072
94-95	\$30,867,728	\$31,200,347
95-96	\$17,140,722	\$17,140,722

Source: Appropriation Acts.

Allowances to the R. L. Bryan Company under the arrangements for new instructional materials amounted to approximately \$6.4 million from FY 92-93 through FY 94-95—\$1.9 million from the state and \$4.5 million from the publishers. An additional \$1.7 million was paid to R. L. Bryan by the state, during the same time period, under the used-book contract.

Our review was limited to an examination of the *distribution* of state-owned instructional materials to the schools. We did not review SDE's purchases or the textbook-adoption process used in selecting instructional materials to be purchased with state funds. Appendix B contains detailed information on the methodology used for evaluating distribution of instructional materials. Appendix C contains results of our survey of schools.

Instructional Materials Contracts

Twenty-two states, including South Carolina, select or adopt (at the state level) instructional materials for use in the public schools. These states contract with publishers to provide the approved materials to schools. Sixteen states designate a central depository for distribution of the instructional materials. Most of these states are located in the southeast and southwest regions of the country.

The R. L. Bryan Company, under contract with the publishers, is paid by the publishers 8% of the publisher's wholesale price to consign (retain in R. L. Bryan's warehouse) new instructional materials and function as a publisher would on a direct order. This includes keeping on hand a sufficient supply of materials to meet all immediate demands and processing orders and shipping the materials. Publishers also pay R. L. Bryan for billing the state for the cost of the instructional materials and disbursing the funds to the publishers. Publishers pay the shipping costs for sending materials to the depository; however, the state contract does not hold the publisher responsible for freight charges from the depository to the schools.

R. L. Bryan receives 3.5% of the publisher's wholesale price in state funds which, according to SDE staff, are to cover shipping materials to the schools.

R. L. Bryan also is compensated by publishers for collecting new and unused instructional materials (returns), for which the state may receive a credit. As long as the item is on the adopted list, the state can get a full refund from the publisher. Publishers may take advantage of markets, such as private schools or other states, for the sale of these materials.

SDE also contracts with the R. L. Bryan Company for transportation and storage of *used* instructional materials that are recirculated through the depository by the schools. R. L. Bryan receives, records, insures and ships used books, and separates used books for rebinding. The state is not charged additionally for materials returned from schools to the book inventory. Under this contract, R. L. Bryan is reimbursed for returning new books to the publisher's stock for full credit to the state. Additionally, SDE assigns a staff person to work with R. L. Bryan's staff in the used-book area at the depository warehouse. For services involving used books, SDE compensates R. L. Bryan 10% of the retail contract price for each item shipped. The contract is a sole source contract, contingent upon the continued designation of the R. L. Bryan Company as the Central Textbook Depository.

The following table shows how R. L. Bryan's earnings from the publishers and from the state are calculated.

**Table 3.2: Payment Process for
New and Used Instructional
Materials**

	Instructional Materials			
	New		Used	
Publishers' Wholesale Price	\$10.00	100%	\$10.00	100%
Retail Contract Price	\$11.50	115%	\$11.50	115%
R. L. Bryan Bills State	\$10.35	103.5%	\$1.15	11.5%
R. L. Bryan Pays Publisher	\$9.20	92%	*	*
R. L. Bryan Retains	\$1.15	11.5%	\$1.15	11.5%

* No payment is made to the publisher for used books.

This, in effect, involves establishing two prices for a textbook or other instructional material. The first, the *retail contract price*, is the price SBE agreed to pay in contracting with the publisher, but is not the price the publisher is actually paid. The retail contract price is established by marking up all instructional materials by 15% over the *publishers' wholesale price*. R. L. Bryan bills the state the retail contract price (marked up price) of the new materials, less 10%. This, in effect, results in the state's actually paying the publisher's wholesale price. From the state funds they receive, R. L. Bryan disburses to the publishers 92% of the publishers' wholesale price for the materials. The R. L. Bryan Company retains 11.5% of the publishers' wholesale price on any item shipped: 8% of this by contract with the publishers and 3.5% through agreement with the state.

New Instructional Materials

No written terms set forth the agreement between SBE and the Central Textbook Depository regarding handling charges for the distribution of new instructional materials. The current payment arrangement has existed since 1936. SBE has reauthorized the central depository annually. Minutes of December board meetings do not reflect discussions about the reauthorization. They state the board *accepts* the South Carolina Publisher's Association selection of the R. L. Bryan Company as the Central Textbook Depository. As we noted, §59-31-320 of the South Carolina Code of Laws *authorizes*, but does not *mandate*, that the board require all publishers with whom textbook contracts have been made to maintain a central depository for the distribution of textbooks.

The board has not evaluated conditions to confirm that a need still exists for this type arrangement. Based on interviews with SDE staff, the depository arrangement was begun to assist schools that had limited purchasing power. However, in 1993-94 school districts expended about 77% of the total expenditures of classroom materials without SDE assistance, by purchasing directly from publishers and other producers. Other states are more flexible and allow funds to be distributed to the local education agencies which are responsible for their expenditures (see p.58).

There is no written agreement specifying the terms, conditions, and obligations of each party that provides the state *should* pay freight costs for new books and, if so, how much should be paid. Current payments to R. L. Bryan exceed the actual cost of freight (see p. 47).

The purchase and distribution of new books is exempt from the South Carolina Consolidated Procurement Code. Therefore, state procurement auditors do not audit this function. In addition, the internal audit division of SDE has not audited the system. State procurement auditors do review SDE's sole source contract for distribution of used books and the contract for books for the visually impaired.

A written contract increases accountability by specifying the terms, conditions, and obligations of each party. The expiration of a contract provides an opportunity for the parties to review its terms and determine if its renewal would be beneficial. Without the protection provided by a written contract, and by periodic review and oversight of the contract, it is more difficult for SDE and the state board to determine if the state's best interests are served by the Central Textbook Depository.

Distribution of New Instructional Materials

SDE officials told us that compensation to R. L. Bryan for its role in handling new instructional materials was intended to cover the cost of freight. As noted on page 44, R. L. Bryan functions as a publisher would on a direct order and is paid by the publisher for this service. However, the state's payments to R. L. Bryan exceed the direct freight cost R. L. Bryan pays. From FY 92-93 through FY 94-95, state payments to R. L. Bryan for its role in handling new instructional materials amounted to approximately \$1.9 million. Based on our sample, the state pays R. L. Bryan approximately 2.7 times the direct costs R. L. Bryan paid for shipping new instructional materials to the schools. The state could have saved approximately \$1.2 million from FY 92-93 through FY 94-95 by paying the publishers's wholesale price plus actual freight costs.

SDE's historical billing practices have resulted in a level of compensation to the depository that exceeds the depository's cost for shipping. The state's pricing method was used to ensure that textbook appropriations provided funding for the South Carolina Textbook Commission. However, the commission has been defunct since about 1970; we were not able to ascertain why SDE continued the billing practice.

The central depository's rate is higher than other southeastern states pay their depositories (see Table 3.2). We contacted four other southeastern states with central depositories. All except Alabama pay depositories only actual freight charges. Alabama requires the central depository to pay *all* freight costs. In Tennessee and Florida, delivery may be either to the school or a local depository as desired. Alabama, by state law, requires delivery to a

district or country school board. In North Carolina, which uses a state-owned depository, orders are placed by district offices rather than schools. Therefore, deliveries are made to the district offices.

R. L. Bryan uses three freight carriers. We calculated the difference between the shipping charges R. L. Bryan paid the carriers for transporting instructional materials and the amount SDE paid R. L. Bryan under the agreement. R. L. Bryan's median freight cost is about 1.28% of the publisher's wholesale price. However, the state allows R. L. Bryan to keep 3.5% of the publisher's wholesale price.

In 1991 correspondence to the state superintendent of education, R. L. Bryan requested the department review the formula on which the books were billed to the state. R. L. Bryan requested the state change the invoicing to the contract price plus transportation.

R. L. Bryan's median freight cost is about 1.28% of the publisher's wholesale price. However, the state allows R. L. Bryan to keep 3.5% of the publisher's wholesale price.

Delayed Purchases

Each year since 1986 the state has restricted the purchase of some adopted materials. This occurs, according to SDE staff, because funding appropriations are not adequate, and have led to delayed purchases and extended contract periods in some subject areas. The State Board of Education decides annually on the prioritization of materials on the adopted list. Appropriated funds are then spent as far as the appropriation will allow through the prioritization list. Those adopted materials not funded cannot be purchased by the schools with state textbook appropriations.

Appendix D shows the extent of the problem. Some 1995-96 subjects where purchases were delayed are science and technology materials. The 1995-96 materials catalogue allows schools to order only older copyright editions in physics, chemistry, and science materials. Schools had to choose from adoptions made primarily before 1990; the newer 1994-95 adopted materials were not funded. This lag produces an additional year wherein students do not have access to new materials. Sixty-seven percent of high school survey respondents reported the current system does not provide enough flexibility for making necessary curriculum changes in a timely manner (see Appendix C).

We recommend on page 57 that the method for allocating instructional materials funds be reviewed. This problem could be partially addressed by distributing funds to the districts and granting more flexibility in purchasing.

Recommendation

4. The State Board of Education should reevaluate its current arrangement for shipping new instructional materials. If SBE continues to designate a central depository, a written agreement should be developed to provide specific terms and conditions to be met. At the minimum, the following terms should be considered:
 - ☐ SBE should consider whether the state should require the central depository to pay shipping costs for new instructional materials as is done in Alabama.
 - ☐ If the state agrees to pay transportation for new instructional materials, the state should pay only the lowest actual cost.

Used Instructional Materials

SDE pays for handling and storage of used books, but has never evaluated whether the arrangement is economical and effective. Other southeastern states allow new materials once shipped to become the property of the schools. South Carolina could save approximately \$509,000 annually by discontinuing the used-book contract. Alternatively, the state could save approximately \$373,828 over the life of its five-year contract by using a more appropriate base upon which to figure R. L. Bryan's payments.

SDE contracted, beginning in 1936, for five-year periods with the R. L. Bryan Company for redistribution of used textbooks. The contract requires the depository to use all available used books in stock to fill requisitions and to then supplement the order with new books. For handling and shipping the materials, R. L. Bryan is paid 10% of the retail contract price of the materials.

Depository Compensation

Our analysis showed the payments made to R. L. Bryan by the state are about nine times more than R. L. Bryan's direct cost for used-book freight. SDE uses the retail contract price (the 15% mark up over the publishers' wholesale price) of the book when it was new as its base for paying the 10% (see Table 3.2). This method inflates the payments.

If SDE had paid the 10% rate but used the publishers' wholesale price (which in effect is the base for R. L. Bryan's 3.5% allowance for new materials) as the base, the state could save an average of \$74,766 (13%) per year or \$373,828 over the five-year contract.

Recirculation of Used Materials

The department has not evaluated the cost-benefits of the used-book process. State regulation mandates that no used books are to be returned to the depository unless directed by SDE. However, in practice, the department requires that all books, above a threshold of 105% of a school's expected needs, be returned to the depository.

The depository shipped 323,373 used books in FY 94-95 with a purchase value of \$6.6 million. In that same year 228,634 books were returned with a purchase value of \$5.9 million. Based on our sample, approximately 5% of returned used books are destroyed. Approximately 23% of returns were new books. Handling costs for these books are paid to R. L. Bryan by the publishers. Department staff believe when used books can be shipped in place of purchasing new ones, state funds are saved; however, they have not analyzed the process to document this position.

We found that if a book is returned to the depository, rebound and reshipped, the department has expended, on average, 29% of the replacement cost of the book.

We found that if a book is returned to the depository, rebound and reshipped, the department has expended, on average, 29% of the replacement cost of the book. This does not take into account indirect costs to the state such as staff resources to operate the used book and bindery processes. This cost also does not consider the useability or quality of the used books. Used books may be defaced by highlighting, underlining, and notes. The state's adoption cycle is usually six years (four years with two extensions) and the department has stated that many books are returned and reshipped more than one time. They cannot estimate how many times these handling costs might recur on the same book during the six-year period.

Alabama, Tennessee, North Carolina, and Florida do not warehouse used books in the depository. When the books are ordered and received by the schools, they become the property of the schools. Florida maintains a database of used materials and assists administratively with exchanges between schools.

Additionally, the use of multi-part instructional materials or kits has led to problems in re-warehousing the materials. The department has no written policy precluding the return of used kits. We observed the return of used kit

materials during our audit. Depository staff stated that some instructional kits and other manipulative materials are difficult to handle on a return. The various pieces may not all be included and handling, sorting and storing such materials requires a greater amount of staff time and storage space.

The department assesses penalties for lost and damaged books; collections amounting to approximately \$1 million in FY 94-95 were redeposited into the used textbook account. However, some of these funds are school funds. Discontinuation of the used-book contract would mean the schools would keep these funds. SDE makes no revenue from the sale of used books because they have little value at the end of a typical adoption period.

Finally, schools that need used materials may obtain them from other schools. Seventy-four percent of our survey respondents indicated they have found it necessary to loan and borrow instructional materials between schools to meet their needs.

Recommendation

5. The State Department of Education should evaluate whether it is in the best interest of the state to continue the state's redistribution of used materials.
-

Contract Extensions

South Carolina's contract requirements for new instructional materials result in additional costs to the state because prices are not guaranteed beyond the fourth year of the contract. Increases are allowed in the fifth and sixth years. Combined fifth-year and sixth-year extensions cost the state approximately \$777,000 in 1995-96.

Section 59-31-530 of the South Carolina Code of Laws allows contracts for new materials to run for not less than one year nor more than six years. General practice is to establish contracts for a four-year period with two one-year extensions. Textbooks adopted in 1990 and 1991 are now in their fifth and sixth years of the contract respectively. According to SDE staff, price increases from the fourth to fifth year resulted in a 37% increase in costs. From the fifth to the sixth year the increase was approximately 8%.

The amount of savings from longer contract periods may vary, depending on the type (and cost) of instructional material purchased and the volume of purchases made. This analysis does not take into account indirect costs in staff and other resources incurred during the rebidding of contracts in the fifth and sixth years. Additionally, shorter contract periods may contribute to problems with backorders, where instructional materials are not readily available from the publishers (see p. 55).

Based on information from the American Association of Publishers, South Carolina is 1 of 3 states, out of 22 that practice state-wide adoption of instructional materials, with a four-year contract period. Other states have longer contract periods wherein price increases are held to an agreed-upon level. Thirteen states have contracts ranging from five years to eight years. Florida and Oklahoma provide shorter contracts for science and computer education, where technological advances require frequent substantive updating of instructional materials.

Tennessee reported it saved over \$2 million on 1993 purchases of approximately 200 of the most popular titles from five subject areas. These savings resulted from the state contract that guarantees books will be available at the lowest price for the *full* six-year period. South Carolina could reduce costs by ensuring that contracts with publishers guarantee the lowest possible price for the longest term practicable.

Recommendation

6. The General Assembly may wish to amend state statutes to allow state textbook contracts to extend for up to an eight-year period without price increases.
-

Oversight of Textbook Operations

The department has not enforced nonperformance clauses in publisher contracts. Department oversight is critical since the state procurement auditors and the internal audit division of SDE have not audited the instructional materials distribution system.

The instructional materials office has seven staff members and is supervised by the director of the office of instructional technology located in the Rutledge Building. According to the director, staff tabulate publishers's bids, collect from the schools for losses and damages, prepare adoption projections, and produce the catalogue of new adoption materials. They also

review school eligibility on orders and authorize shipments, work in the depository under the used-book and bindery contracts, and reconcile R. L. Bryan's billings to the state.

Review and Analysis of Information

SDE is not managing the daily activities of its instructional materials staff as efficiently as possible. The state instructional materials office employs more staff than other southeastern states we surveyed; most have one or two staff. However, SDE's staff do not review and analyze records, including automated information available from R. L. Bryan, to identify problems or improve efficiency. SDE has established broad "budget objectives" for the office, but these do not include measures of activities that focus on the quality of the process that delivers the service.

For example, the department established only one performance benchmark for the office of instructional technology: all school orders for instructional materials will be shipped within one week of receipt of the order in the office of instructional technology. In 1994-95, the average number of days to ship an order was approximately 14. For 1995-96, SDE staff reported the average number of days to ship an order has been reduced to approximately eight days. However, staff have never performed an analysis of actual freight costs compared to the state's allowance for shipping to R. L. Bryan. We found state funds to R. L. Bryan exceed the actual freight costs (see p. 47).

Additionally, while a great deal of staff time is spent on phone calls to and from schools about orders, staff do not have a formal system for reviewing problems with backorders. If the materials requested by a school are not available in the depository when the order is placed, the items are referred to as *backordered*.

A contributing factor is that the State Department of Education has not developed written agency goals and procedures to aid staff in accomplishing the office's mission of administration and distribution of instructional materials.

Monitoring of Contracts

SDE staff said they have never reported to SBE or levied a penalty on a publisher for being noncompliant with provisions requiring that materials be available in the depository.

The State Board of Education does not monitor key provisions in contracts with publishers. First, instructional materials contracts stipulate that South Carolina is to purchase materials at the lowest cost for which they are sold anywhere (most favored purchaser clause). Section 59-31-540 of the South Carolina Code of Laws requires the SBE to make the necessary investigations as to the prices of textbooks sold to other persons, states, or state boards.

SDE staff stated they check prices occasionally but have not done this in the last year or so. Staff also stated they do not check prices when bids are quoted. SDE keeps no information concerning price comparisons to ensure that South Carolina is receiving the lowest price. Savings could be substantial; for example, the State Textbook Commission in Tennessee calculated in 1993 they saved \$621,112 by requiring publishers of mathematics textbooks to reduce bid prices to those contracted in another state.

Second, contracts with publishers require that all adopted materials under contract be available in the central depository for shipping. Section 4 of the instructional materials contract stipulates:

. . . Upon failure to supply the central depository with a sufficient number of instructional materials to promptly fill the orders received . . . , the vendor agrees to pay the State Treasury for the use of the instructional materials fund, liquidated damages in the amount equal to 5% of the contract price of the late order for each initial late order; and 10% of the contract price of each subsequent late order until the stock is replenished. The damage period begins 15 calendar days after the date the unfilled order is delivered to the central depository

Additionally these contracts stipulate:

. . . The Board [SBE] will annually receive a report from the State Department of Education . . . regarding any such late deliveries and the appropriate liquidated damages

SDE staff said they have never reported to SBE or levied a penalty on a publisher for being noncompliant with provisions requiring that materials be available in the depository.

Statewide reports show that out of the 66 publishers R. L. Bryan represents:

- ☐ On September 19, 1994, 27 publishers had materials backordered. Two accounted for 46% of the total backorders.
- ☐ On September 14, 1995, 39 publishers had materials backordered; 22 of these publishers also had backorders in 1994. One publisher accounted for 23% of the total backordered items; four together accounted for approximately 50%.
- ☐ On August 16, 1994, there were 49,526 books on backorder. By September 19, 1994, 5,779 (12%) remained on backorder. On August 8, 1995, there were 37,577 books on backorder. By September 14, 1995, 10,612 (28%) remained on backorder.

Seventy-seven percent of survey respondents (see Appendix C) confirmed that the occurrence of backorders seriously undermines the quality of instruction they can provide. In a more detailed analysis, we collected and analyzed all orders and backorders for school year 1994-95 for our sample (approximately 528 transactions). Approximately 15% of all materials ordered and about 41% of all orders were backordered or delivered late. It took an average of 45 days (with a range of 6 days to 101 days) to completely fill a backorder, during which time students did not have the instructional materials they needed.

Schools may contribute to this problem when they do not send their orders in early enough. We found that 86% of all initial orders schools placed for instructional materials had backordered items that were not shipped with the order. SDE's guidelines to schools request they place their orders by May 1. In our sample, the earliest order date found was May 15. Most orders were placed during June.

Freight Costs

An additional problem related to backordering materials is the resulting smaller freight transactions which are not economical. Both orders and backorders are separate shipping transactions. In our sample, backorders were 45% of all transactions. Two of R. L. Bryan's haulers offer lower rates for larger shipments. For example, one hauler charged \$38 to haul two 50-pound shipments 100 miles, but only \$20 to haul a 100-pound shipment. For the other hauler the difference between two 50-pound shipments and one 100-pound shipment was \$26. Shipments larger than 500 pounds received significant discounts.

Increasing the size of shipments and reducing the number of small shipments would reduce the actual freight cost for materials. Our analysis shows that the weight of backorder shipments ranged from 1 pound to 3,371 pounds; based on our sample, the median backorder shipment weighed 61 pounds. Order shipments weighed from 4 pounds to 28,494 pounds; the median order weighed 160 pounds. If the size of a shipment is reduced (cannot be completely filled) due to backordered items, then both the order and the backorder have a smaller, less economical weight.

Conclusion

The instructional materials office is responsible for the oversight of state funds expended for used and new instructional materials operations. In FY 94-95 revenues used to purchase new instructional materials amounted to almost \$30 million. Without formally established goals and written procedures, accountability for the efficient and economical use of resources is reduced. Without analysis of operations information, the state makes decisions based on insufficient information.

Recommendations

7. SDE should reevaluate and refocus operations in the textbook office. SDE should develop:
 - ☐ Written agency goals and policies and procedures for conducting day-to-day operations that will ensure adequate oversight of state contracts and resources.
 - ☐ Performance benchmarks for carrying out the various functions of the textbook office and the depository.
8. The State Board of Education should regularly compare prices for instructional materials and should bill publishers for late orders as provided by contract.

Issues for Further Study

This section addresses two funding-related issues for further study.

Allocation of Instructional Materials Funds

The budget for instructional materials provided by the textbook appropriations is based on one textbook per student, per subject. Additionally, these funds must be spent on the subject for which they are allocated. A school cannot, for example, spend its math "allocation" for reading materials. According to SDE, the average cost for a new textbook under contract currently is \$35.

SDE staff project that the need for instructional materials with consumables and manipulatives will increase at all levels, requiring replacements at many grade levels. Districts may have problems with replacement of certain consumable materials that are part of an original purchase through the depository. Most cannot be replaced with state textbook funds.

Other state funds for instructional materials are disbursed through the Education Finance Act (EFA) and the EIA. In FY 94-95 the EFA provided approximately \$7.17 per student for classroom materials or approximately \$4.6 million, distributed through a formula that takes into account district wealth and student need factors. Textbook appropriations provide the most funds for instructional materials. In FY 94-95 textbook funds provided approximately \$29 million or \$45 per student. Appendix E compares the FY 94-95 allocation of textbook funds by district as currently allocated with what they would be if allocated through the EFA formula.

Additionally, for FY 93-94, the EIA disbursed approximately \$8.2 million to the districts for instructional materials. These funds also provide for special programs such as adult education and summer programs. EIA funds are not provided through a formula.

In 1991, the state superintendent of education formed education excellence teams by bringing in groups to review different areas. The textbooks and resources committee of the education excellence team produced an official recommendation in this area. They stated that consideration should be given to redirecting some textbook funds to school districts for direct purchase of instructional materials in lieu of selection from the state's adopted list, particularly in subject areas not considered core curriculum areas. Fifty-nine percent of school survey respondents agreed the state should set aside a

percentage of instructional materials funds for schools to buy needed materials regardless of whether they are on the adopted list (see Appendix C).

Alabama, Florida, North Carolina and Tennessee all allocate funds directly to school districts. Districts or schools order directly from depositories. Alabama permits schools to order from either the central depository or the publisher directly.

Districts at an economic disadvantage and those with large numbers of students with high individual need factors may not be able to obtain adequate instructional materials for their students. Seventy-eight percent of high school and 100% of middle school survey respondents indicated they have students who need more than one textbook or set of instructional materials in a given subject area (see Appendix C).

Library Materials

According to 1987 SDE information, public schools need about \$40 million in library materials. It was estimated then that 36% of the state's school library holdings needed replacement. SDE staff surveyed six rural and metropolitan school districts and found the average age of the collections was approximately 23 years, while the recommended average is 10-12 years. The average age of the science collections was 26 years, a particularly crucial problem in the fields of science and technology where change is so rapid and constant.

Section 59-31-220 of the South Carolina Code of Laws mandates that the SBE furnish library books to the public school districts upon the same terms and conditions that textbooks are now funded.

According to SDE very little progress has been made in funding. The EFA and the EIA do not provide funds for library materials and the textbook appropriation is being expended on textbooks. One million dollars in one-time appropriations were provided in FY 94-95 and FY 95-96 for this area.

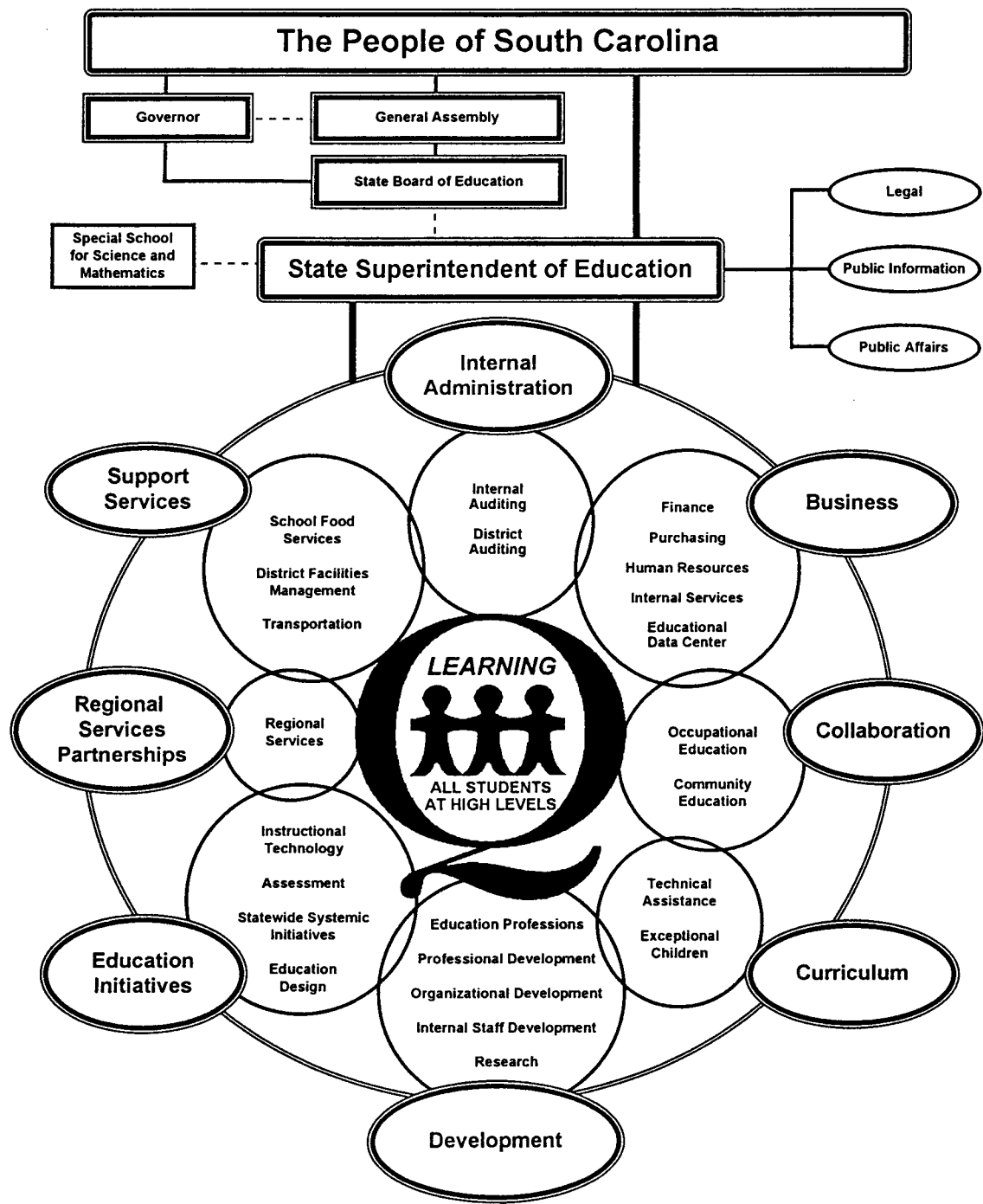
Recommendation

-
9. The General Assembly may wish to review methods for allocating funds for instructional and library materials.

Appendices

Organization Chart

SOUTH CAROLINA DEPARTMENT OF EDUCATION



Methodology for Evaluating Distribution of Instructional Materials

This appendix contains detailed information pertaining to the methodology used to evaluate the distribution of instructional materials.

We used a statistical software package to generate a random-number table. With a confidence level of 90% and variation of 5%, our sample number was 49. To locate the sample accounts, we used SDE's FY 94-95 alphabetical listing of schools found in the *Directory of South Carolina Schools*. We also added to our sample the account for the entire Spartanburg #7 school district, the only district operating a local depository.

We compared our sample to all nonspecialized schools on the following measures which relate to the volume of instructional materials a school must order.

Table B.1: Comparison of Sample With State Population by Mean and Median Average Daily Membership (ADM) for 1994-95

	Schools Sampled	Total Schools	Percent Difference
Mean ADM	634	614	3.15%
Median ADM	545	549	0.73%

Table B.2: Comparison of Sample With State Population by Type of School for 1994-95

Type School	Schools Sampled		Total Schools		Percent Difference
Elementary Schools	27	55%	618	58%	4%
Middle Schools	9	18%	177	17%	1%
High Schools	13	27%	224	21%	6%

For each of the 49 sample accounts, we collected, for every transaction of the 1994-95 school year (all orders and credits and shipments), the following information:

- Order date
- Invoice date
- Requisition number
- Invoice number
- Return number
- Credit number
- Number of new books shipped

- Number of used books shipped
- Number of returned books designated to the bindery, destruction, or new or used status
- Invoice value of new materials
- Invoice value of used materials
- Weight of shipment
- Number of cartons in shipment
- Freight hauler for shipment
- Number of miles to shipping destination
- Rate schedule for freight
- SDE payment formula for R. L. Bryan (invoice value of used books X .10 + invoice value of new books ÷ 1.15 X .035)

Each account was analyzed for:

- Freight costs per shipment
- State's payment to R. L. Bryan for each transaction
- Number of textbooks backordered
- Number of textbooks on backorder never shipped
- Percent of all transactions that were backorders
- Calendar days to completely fill a backorder
- Calendar days from order to shipment
- Difference between the actual freight that R. L. Bryan paid and the amount the state paid R. L. Bryan.

We used the median measure to report most results due to the variability of the data. This measure is the middle number having an equal number of larger and an equal number of smaller items above and below it.

Additionally, we surveyed the schools in our sample. The survey response rate was 78%. Appendix C contains a summary of responses to the first 17 items grouped by school type, i.e. elementary, middle, or high school. Items 18 through 20 are shown in the Appendix C; however, these open-ended responses have not been summarized there. Survey responses, including the open-ended remarks, support some of the conclusions in the report.

School Survey Results

Legislative Audit Council

School Survey

This survey is designed to elicit responses about the current statewide system for distributing free textbooks. The term textbook may refer as well to other instructional materials that may be provided as part of this distribution system. The current system uses a central depository located in Columbia, South Carolina. Please respond by circling the number which indicates your level of agreement with each of the following statements. If you have no response to the statement circle N/R. Your individual responses will be kept confidential.

Strongly Agree	Agree	Disagree	Strongly Disagree	N/R		
28.57%	47.62%	19.05%	0.00%	4.76%	Elementary	1
25.00%	62.50%	12.50%	0.00%	0.00%	Middle	
66.67%	0.00%	22.22%	0.00%	11.11%	High	
35.90%	41.03%	17.95%	0.00%	5.13%	TOTAL	
23.81%	52.38%	14.29%	9.52%	0.00%	Elementary	2
25.00%	50.00%	25.00%	0.00%	0.00%	Middle	
44.44%	22.22%	11.11%	22.22%	0.00%	High	
28.21%	46.15%	15.38%	10.26%	0.00%	TOTAL	
9.52%	52.38%	9.52%	4.76%	23.81%	Elementary	3
37.50%	62.50%	0.00%	0.00%	0.00%	Middle	
33.33%	55.56%	0.00%	11.11%	0.00%	High	
20.51%	56.41%	5.13%	5.13%	12.82%	TOTAL	
85.71%	9.52%	4.76%	0.00%	0.00%	Elementary	4
87.50%	12.50%	0.00%	0.00%	0.00%	Middle	
100.00%	0.00%	0.00%	0.00%	0.00%	High	
89.74%	7.69%	2.56%	0.00%	0.00%	TOTAL	
23.81%	19.05%	28.57%	23.81%	4.76%	Elementary	5
12.50%	87.50%	0.00%	0.00%	0.00%	Middle	
33.33%	44.44%	11.11%	11.11%	0.00%	High	
23.08%	41.03%	17.95%	15.38%	2.56%	TOTAL	
28.57%	28.57%	19.05%	9.52%	14.29%	Elementary	6
25.00%	12.50%	50.00%	12.50%	0.00%	Middle	
44.44%	33.33%	0.00%	11.11%	11.11%	High	
30.77%	28.21%	20.51%	10.26%	10.26%	TOTAL	
23.81%	28.57%	38.10%	9.52%	0.00%	Elementary	7
25.00%	37.50%	37.50%	0.00%	0.00%	Middle	
0.00%	55.56%	22.22%	11.11%	11.11%	High	
17.95%	35.90%	35.90%	7.69%	2.56%	TOTAL	

When instructional materials we order are not available in the warehouse and we are forced to wait for delivery, this seriously undermines the quality of instruction we can provide.

We have found it necessary to loan and borrow instructional materials between schools in order to meet our needs.

The availability of various technology-based instructional materials has enabled us to better meet all of our students' individual academic needs.

We would like to see teacher resource materials provided free of charge as an incentive from publishers.

We have students that need more than one textbook or set of instructional materials in a given subject area.

The state should set aside a % of the instructional materials budget to let schools buy items they need regardless of whether they are on the state adoption list.

My school needs technical assistance in order to use the TRIMs system for ordering instructional materials.

Appendix C
School Survey Results

Strongly Agree	Agree	Disagree	Strongly Disagree	N/R		
9.52%	28.57%	23.81%	38.10%	0.00%	Elementary	8
0.00%	37.50%	12.50%	50.00%	0.00%	Middle	
0.00%	50.00%	16.67%	33.33%	0.00%	High	
5.13%	37.18%	19.23%	38.46%	0.00%	TOTAL	
42.86%	19.05%	19.05%	4.76%	14.29%	Elementary	9
37.50%	12.50%	12.50%	37.50%	0.00%	Middle	
33.33%	22.22%	22.22%	0.00%	22.22%	High	
38.46%	20.51%	17.95%	10.26%	12.82%	TOTAL	
19.05%	23.81%	28.57%	23.81%	4.76%	Elementary	10
0.00%	12.50%	37.50%	25.00%	25.00%	Middle	
33.33%	0.00%	44.44%	0.00%	22.22%	High	
17.95%	15.38%	33.33%	17.95%	15.38%	TOTAL	
9.52%	9.52%	33.33%	23.81%	23.81%	Elementary	11
12.50%	37.50%	37.50%	12.50%	0.00%	Middle	
33.33%	11.11%	33.33%	0.00%	22.22%	High	
15.38%	15.38%	33.33%	15.38%	20.51%	TOTAL	
9.52%	23.81%	23.81%	38.10%	4.76%	Elementary	12
12.50%	25.00%	25.00%	37.50%	0.00%	Middle	
11.11%	11.11%	44.44%	33.33%	0.00%	High	
10.26%	23.08%	28.21%	35.90%	2.56%	TOTAL	
19.05%	33.33%	42.86%	4.76%	0.00%	Elementary	13
12.50%	37.50%	37.50%	12.50%	0.00%	Middle	
44.44%	22.22%	33.33%	0.00%	0.00%	High	
23.08%	30.77%	41.03%	5.13%	0.00%	TOTAL	
4.76%	28.57%	42.86%	9.52%	14.29%	Elementary	14
12.50%	0.00%	62.50%	0.00%	25.00%	Middle	
0.00%	0.00%	55.56%	33.33%	11.11%	High	
5.13%	15.38%	51.28%	12.82%	15.38%	TOTAL	
4.76%	42.86%	19.05%	19.05%	14.29%	Elementary	15
12.50%	37.50%	12.50%	0.00%	37.50%	Middle	
0.00%	0.00%	33.33%	0.00%	66.67%	High	
5.13%	30.77%	20.51%	10.26%	33.33%	TOTAL	

The 5% overage allowance, that allows us to a few more materials than we need at the time of the order, is adequate and provides enough extra copies for the growth in average daily membership we may experience.

Having a "local" depository would allow us to access instructional materials in a more efficient manner.

Receiving a direct state appropriation and allowing districts to place orders directly with publishers would be acceptable to our school.

If the current instructional materials distribution system continues, receiving a single lump-sum state allocation for our school, rather than set-aside amounts per subject area, would enable us to better meet the needs of our students.

We could get our early orders in to the central depository by March 31.

The current system does not provide enough flexibility for making necessary curriculum changes in a timely manner.

We place orders directly with publishers.

We are satisfied with the direct service arrangements we have with publishers.

Appendix C
School Survey Results

YES	100.00%	NO	0.00%	Elementary	16	Does your district charge the student for lost textbooks?
YES	100.00%	NO	0.00%	Middle		
YES	88.89%	NO	11.11%	High		
YES	97.44%	NO	2.56%	TOTAL		
YES	95.24%	NO	4.76%	Elementary	17	Do you use the OSIRIS Pathways System?
YES	87.50%	NO	12.50%	Middle		
YES	88.89%	NO	11.11%	High		
YES	92.31%	NO	7.69%	TOTAL		
					18	Identify the subject areas in which could you use "classroom sets" in lieu of individual student textbooks.
					19	My district <i>primarily</i> uses consumables and other instructional approaches rather than textbooks in the following programs:
					20	Please list any other suggestions you have for improving the efficiency or effectiveness of the textbook processing system or for increasing economy in the area.

SCHOOL NAME _____
(Your comments will be kept confidential.)

Textbook Purchase Delays 1986-1996

Fiscal Year	Projected Cost of Adoptions	Value of Purchases Delayed From Previous Year	Subject Areas Delayed	Value of Delayed Purchases
FY 85-86	\$11,658,382		Consumer & Homemaking Ed—Grades 6-8 Handwriting—Grades 3-8	\$1,435,151
FY 86-87	\$10,833,968	\$1,435,151	Music—Grades 1-2 Health—Grade 1	\$1,314,000
FY 87-88	\$11,403,173	\$1,314,000	Social Studies—Grades 1-3 Literature—Grades 11-12	\$3,704,042
FY 88-89	\$11,421,231	\$3,704,042	Math—Grades 3-8 Social Studies—Grade 7	\$6,016,127
FY 89-90	\$14,823,195	\$6,016,127		\$0
FY 90-91	\$17,580,820	\$0	Oral/Written Composition & Grammar—Grades 3-8 Geography—Grade 9 General Science—Grade 9 Psychology—Grades 11-12 Sociology—Grades 10-12	\$10,098,723
FY 91-92	\$20,410,759	\$10,098,723	Chorus I-IV Civics—Grades 9-12 Consumer & Homemaking Ed—Grades 9-12 & 6-8 Driver's Education Parenthood Education Health & Safety—Grades 9-12 Human Sexuality I & II Physical Education—Grades 9-12 Spelling—Grades 2-8 World History Business Principles & Management Computer Programming Handwriting—Grades 3-8 (1-2 included in consumable)	\$10,633,832
FY 92-93	\$11,270,745	\$10,633,832	Vocabulary—Grades 9-12	\$411,670
FY 93-94	\$29,333,761	\$411,670	Business English—Grade 12 Human Growth & Development—Grades 9-12 Literature—Grades 7-12 Masonry I, II & III—Grades 10-12 Music Appreciation I, II, III, & IV Physics for the Tech. I & II—Grades 10-12 Social Studies—Grades 4-6 Social Studies (Geography)—Grade 7	\$7,980,469
FY 94-95	\$16,078,594	\$7,980,469		\$0
FY 95-96	\$38,536,199	\$0	Business Communication Chemistry I & II, and Adv. Placement Chemistry—Grades 11-12 Financial Management Food Science Industrial Technical Ed. I, II, & III—Grades 7-10 Physics & Adv. Placement Physics—Grades 11-12 Science—Grade 1	\$7,997,668
FY 96-97	\$47,012,716			

Allocation of FY 94-95 New Instructional Materials Funds

District	FY 94-95 District Textbook Allocation	FY 94-95 District Textbook Allocation Using EFA Formula
Abbeville	\$172,735	\$190,987
Aiken	\$1,286,270	\$1,138,884
Allendale	\$103,877	\$117,517
Anderson 1	\$299,504	\$330,199
Anderson 2	\$159,290	\$185,847
Anderson 3	\$107,420	\$111,266
Anderson 4	\$107,329	\$98,086
Anderson 5	\$494,632	\$514,758
Bamberg 1	\$83,710	\$108,689
Bamberg 2	\$59,592	\$75,826
Barnwell 19	\$57,230	\$75,173
Barnwell 29	\$46,511	\$53,092
Barnwell 45	\$122,908	\$150,600
Beaufort	\$636,208	\$233,107
Berkeley	\$1,229,948	\$1,367,586
Calhoun	\$94,793	\$82,329
Charleston	\$2,001,873	\$1,793,449
Cherokee	\$374,721	\$377,270
Chester	\$300,731	\$338,292
Chesterfield	\$356,916	\$404,806
Clarendon 1	\$61,363	\$64,538
Clarendon 2	\$166,104	\$201,107
Clarendon 3	\$54,959	\$71,796
Colleton	\$318,127	\$337,952
Darlington	\$513,572	\$505,605
Dillon 1	\$45,239	\$57,454
Dillon 2	\$182,591	\$216,706
Dillon 3	\$68,722	\$85,606
Dorchester 2	\$688,669	\$768,015
Dorchester 4	\$114,051	\$114,429
Edgefield	\$185,089	\$219,464
Fairfield	\$171,690	\$106,012

Appendix E
Allocation of FY 94-95 New Instructional Material Funds

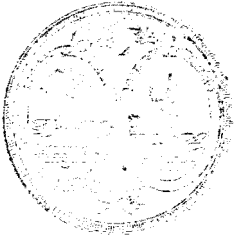
District	FY 94-95 District Textbook Allocation	FY 94-95 District Textbook Allocation Using EFA Formula
Florence 1	\$677,586	\$685,676
Florence 2	\$52,779	\$63,598
Florence 3	\$207,164	\$263,208
Florence 4	\$58,093	\$72,480
Florence 5	\$63,226	\$72,538
Georgetown	\$490,317	\$424,332
Greenville	\$2,441,092	\$2,301,107
Greenwood 50	\$386,303	\$397,066
Greenwood 51	\$55,822	\$67,023
Greenwood 52	\$70,448	\$60,575
Hampton 1	\$127,723	\$146,665
Hampton 2	\$69,948	\$85,258
Horry	\$1,139,561	\$758,458
Jasper	\$137,216	\$155,559
Kershaw	\$418,643	\$430,803
Lancaster	\$481,823	\$539,103
Laurens 55	\$249,905	\$282,259
Laurens 56	\$156,020	\$175,226
Lee	\$157,247	\$193,367
Lexington 1	\$600,598	\$665,207
Lexington 2	\$418,507	\$412,618
Lexington 3	\$104,286	\$115,971
Lexington 4	\$106,057	\$132,912
Lexington 5	\$578,706	\$565,727
Marion 1	\$158,473	\$189,307
Marion 2	\$124,317	\$158,841
Marion 3	\$29,569	\$39,012
Marion 4	\$23,346	\$31,845
Marlboro	\$259,352	\$309,935
Mccormick	\$61,954	\$69,455
Newberry	\$263,259	\$290,859
Oconee	\$443,579	\$286,338

Appendix E
Allocation of FY 94-95 New Instructional Material Funds

District	FY 94-95 District Textbook Allocation	FY 94-95 District Textbook Allocation Using EFA Formula
Orangeburg 1	\$41,923	\$52,048
Orangeburg 2	\$40,152	\$49,755
Orangeburg 3	\$152,614	\$183,802
Orangeburg 4	\$105,830	\$130,120
Orangeburg 5	\$297,960	\$310,501
Orangeburg 6	\$40,197	\$51,241
Orangeburg 7	\$43,558	\$53,406
Orangeburg 8	\$26,480	\$35,490
Pickens	\$683,537	\$694,934
Richland 1	\$1,228,949	\$1,061,999
Richland 2	\$649,289	\$682,989
Saluda	\$102,015	\$124,574
Spartanburg 1	\$174,870	\$193,665
Spartanburg 2	\$306,227	\$336,800
Spartanburg 3	\$142,121	\$136,338
Spartanburg 4	\$118,866	\$131,409
Spartanburg 5	\$208,072	\$179,430
Spartanburg 6	\$373,449	\$330,744
Spartanburg 7	\$429,816	\$433,850
Sumter 17	\$430,679	\$495,700
Sumter 2	\$442,307	\$536,122
Union	\$240,276	\$276,521
Williamsburg	\$321,125	\$392,099
York 1	\$197,398	\$227,810
York 2	\$163,288	\$0
York 3	\$603,823	\$551,113
York 4	\$155,884	\$137,582

Agency Comments

Appendix F
Agency Comments



STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION

Dr. Barbara Stock Nielsen
STATE SUPERINTENDENT OF EDUCATION

To: George L. Schroeder, Director
Legislative Audit Council

From: Barbara S. Nielsen, Ed. D.
State Superintendent of Education

Date: April 22, 1996

Subject: Response to *A Limited -Scope Review of the South Carolina State Department of Education* by the Legislative Audit Council

The State Department of Education staff and I are pleased to accept the document entitled, *A Limited -Scope Review of the South Carolina State Department of Education* and believe that the report bears out the hard work in which we have been engaged during the last five years. We accept the recommendations made in the report and are ready to continue to implement improvements in support of these recommendations. The results will enable South Carolina to provide a better education system to our state's students.

Thank you again for the professionalism with which all members of the staff of the Legislative Audit Council have worked with Department of Education staff. We appreciate the Legislative Audit Council's acknowledgment of the many cost savings measures which we have implemented during the past five years.

What follows are additional accomplishments of which we are particularly proud and our comments on each recommendation along with actions we plan to take or have already taken to implement the Legislative Audit Council's suggestions.

Chapter Two: Administration

Cost savings initiatives implemented by the Department during the past five years have resulted in millions of dollars being saved. Many of these can be quantified while others simply demonstrate the on-going fiscal philosophy of the Department -- To actively seek ways to serve our customers better, faster, and more efficiently and to always look for ways to improve our stewardship of the funds entrusted to us. Many of these initiatives are enumerated below:

(1) Reduction in rent of non-state owned real property (\$794,000), (2) Reduction in assigned vehicles (from 17 vehicles to 5), (3) Elimination in use of state-owned vehicles for commuting (\$753,525), (4) Reduction in number of manager positions resulting from elimination of management levels from 8 layers to 3 (\$1,538,579), (5) Implementation of batch mail for communicating with schools and school districts (\$84,295), (6) Reduction in the textbook inventory overages thus freeing dollars to purchase newly adopted materials (approximately \$2,000,000 per year), (7) Fuel recovery from buses and service vehicles sold to public (23,850 gallons), (8) Elimination of temporary positions (80 positions), (9) Elimination of permanent positions (127 positions), (10) Elimination of phones and phone lines (\$304,041), (11) Use of temporary service personnel, (12) Expansion of in-house printing capabilities, (13) Alignment of photocopy allowances with use, (14) Increase use of E-Mail and Fax, (15) Transfer of mainframe operations to DIRM, (16) Transfer of applications from mainframe to PC Environment, (17) Reduction of paperwork requirements on schools and school districts, (18) Elimination of single-day travel meal reimbursement, (19) Use of office surplus property to supplement needs in transportation bus shops and (20) Zero-Based budgeting.

The philosophy of prudence demonstrated above is consistently applied to the use of state aircraft also. The Superintendent is well aware of the considerable expense of flying in state aircraft as opposed to driving. This cost was always measured against other factors which affected the decision to fly. Most prevalent of these was the prudent use of time and the impossibility of satisfying scheduling demands any other way. For example, the ground mileage to the destinations recorded would have been over 20,000 miles. The investment in driving as opposed to flying would have precluded the superintendent from participating in many of these events and would have impaired her performance of the duties of the superintendent in accordance with Section 59-3-30(4) of the Code of Laws of South Carolina. It is important to note that in addition to air mileage the State Superintendent drove approximately 30,000 miles visiting schools and school districts during the three year period.

Recommendation One: SDE should ensure consistent application of fee waivers in those cases where the costs to the agency are minimal. The files should also document if fees have been waived "in the public interest."

SDE accepts the recommendation. SDE policy has been revised to reflect this recommendation.

Recommendation Two: SDE should document in the files how it determined cost estimates for requests that involve more than photocopying of records.

SDE accepts the recommendation. SDE policy has been revised to reflect this recommendation.

Recommendation Three: SDE should evaluate the need to continue leasing office space from R. L. Bryan. If this arrangement is considered necessary, SDE should negotiate the cost of this arrangement as part of the central depository arrangement at no extra cost to the state.

SDE accepts the recommendation. The decision to locate the instructional materials team at the state depository was made after careful analysis of job functions, travel requirements, and rental costs for office space. SDE believes that on-location oversight of the instructional materials distribution process ensures that the interest of the State is protected and that a more efficient operation results.

Additionally, a priority of the agency during the past four years has been to consolidate as many offices as possible into the fewest locations possible. Since the job functions of this team include close coordination with the depository, the decision was made to bring other teams into the Rutledge Building and place the instructional materials team at the depository. The rental fee is \$10/square foot. According to the State Budget and Control Board, the prevailing rate was \$13/square foot at the time the lease was negotiated. Rental in the Rutledge Building was \$11/square foot.

SDE will re-evaluate this arrangement and if continued, will include the lease as part of the agreement with the central depository. However, our priority is to bring two additional SDE teams into the Rutledge Building prior to relocating the instructional materials team. Those teams are District Auditing (17 members) and an Occupational Education team (4 members).

Chapter Three: Instructional Materials

Recommendation Four: The State Board of Education should reevaluate its current arrangement for shipping new instructional materials. If SBE continues to designate a central depository, a written agreement should be developed to provide specific terms and conditions to be met. At the minimum, the following terms should be considered:

- SBE should consider whether the state should require the central depository to pay shipping costs for new instructional materials as is done in Alabama.
- If the state agrees to pay transportation for new instructional materials, the state should pay only the lowest actual cost.

SDE accepts the recommendation. SDE will re-examine with school districts the arrangement for shipping materials from the depository in order to provide the most efficient and economical system. It should be noted that South Carolina's current freight arrangement is for materials to be delivered directly to all school buildings. Other states mentioned in the report only provide for shipment of materials to one site per district. Should South Carolina move to such an arrangement, additional costs will be incurred by districts in transporting materials from the single site to all schools within the district.

South Carolina's 3.5% of publisher's wholesale price paid to the depository includes freight, as well as consignment storage of materials in Columbia (other states purchase materials outright whether ordered or not), warehouse space for sufficient materials to fill orders (turn around time is 45 days in N.C, as opposed to 8 days in S. C.), labor to compile orders by school as opposed to district, packing materials, etc.

Recommendation Five: The State Department of Education should evaluate whether it is in the best interest of the state to continue the state's redistribution of used materials.

SDE accepts the recommendation. SDE will survey districts to determine if the used book arrangement should be continued and if continued, will re-negotiate the contract price when the current contract term is up. It should be noted that instructional materials are not fully funded by the General Assembly from year to year (see Appendix D, "Textbook Purchase Delays"). Also, instructional materials funds are often funded from recurring and nonrecurring funds in the state budget, thus making it impossible to plan effectively from year to year as to new purchases.

Used materials are needed particularly when contracts must be extended due to shortfalls in funding. Publishers do not keep sufficient stock on hand for materials that are being revised or have been revised. Therefore, without the used book contract replacement materials might not be available to fill orders.

South Carolina also sees a savings from used materials over new purchases. Operating policy is that when an order is received from a school it must be filled from used stock if the item is available. Only if the item is not in used stock are orders filled from new book stock. In 1994-95 shipping of used books resulted in a cost savings of \$879,843 to the state over the purchase of new materials.

Recommendation Six: The General Assembly may wish to amend state statutes to allow state textbook contracts to extend for up to an eight-year period without price increases.

SDE accepts the recommendation. Contract length should vary from subject to subject due to the rapid changes in information available in subjects like science and technology and the lasting information in subjects like world history. SDE encourages the General Assembly to maintain flexibility in the length of contracts while extending the possible term to eight years.

Recommendation Seven: SDE should reevaluate and refocus operations in the textbook office. SDE should develop:

- Written agency goals and policies and procedures for conducting day-to-day operations that will ensure adequate oversight of state contracts and resources.
- Performance benchmarks for carrying out the various functions of the textbook office and the depository.

It should be noted that to ensure adequate oversight of state contracts and resources a mission statement, budget objectives, action plans and benchmarks for conducting day-to-day operations are drafted by employees and approved by the senior staff of SDE for each office in the agency and are incorporated into each SDE staff member's EPMS (Employee Performance Management System).

An example is "Employee assists in evaluating the activities and performance of the Central Textbook Depository and the Textbook Bindery and takes corrective action to provide maximum performance." The success criterion for this benchmark is "verify inventories, review binding priorities, verify billing from depository and based on experience and training, ensure that both are efficient and accountable."

A second example is "Ensure compliance with all Generally Accepted Accounting Principles, state contractual requirements and State Board of Education Regulations."

The report notes that a great deal of staff time is spent discussing orders with schools. SDE will strengthen communication with schools regarding day-to-day operating policies by reviewing the distribution of policies to schools and districts so that they can make better decisions regarding instructional materials orders. The policies will be distributed through the SDE Home Page and through the regional orientation meetings held each spring. Additional performance benchmarks will be added for the instructional materials distribution system and will be monitored monthly.

Recommendation Eight: The State Board of Education should regularly compare prices for instructional materials and should bill publishers for late orders as provided by contract.

SDE policy includes monitoring of contract prices annually using information provided by the National Textbook Association, other states' catalogs and our own pricing list. SDE staff compares other state's catalog prices to our contract price and if discrepancies are found, corrective action is taken. This task is a part of employee performance evaluation documents (see example above). SDE will strengthen this process by incorporating a requirement that prices be checked against those in other states at the time of bid opening and written reports will be submitted following both reviews to the State Superintendent of Education as well as continuing to monitor the prices annually during the duration of the contract.

Prior to FY 1993-94 the contract with publishers included a late delivery clause which stated that liquidated damages in the amount of \$25 would be assessed against the depository for late deliveries. In 1993, the State Department of Education negotiated a new contract with publishers which included a more stringent late delivery clause:

"Upon failure to supply the central depository with a sufficient number of instructional materials to promptly fill all orders received from the Board, any school district, or agency approved by the board, the vendor



agrees to pay to the State Treasury for the use of instructional materials fund, liquidated damages in the amount equal to 5% of the contract price of the late order for each initial late order; and 10% of the contract price of each subsequent late order until stock is replenished. The damage period begins fifteen calendar days after the date the unfilled order is delivered to the central depository, unless the order designates a later date for delivery, at which time the damage period begins. The Board will annually receive a report from the State Department of Education regarding any such late deliveries and the appropriate liquidated damages. It is further understood and agreed between the parties that the Board may, at its discretion, relieve the vendor of any liability for late delivery under this Contract unless such violation results from the willful act of the vendor."

In FY 1993-94, publishers were provided information in the contract and put on notice that late delivery would not be tolerated. SDE analysis of non-performance clause violations by publishers for FY 1994-95 showed approximately \$27,000 owed to the State in liquidated damages. SDE submitted this report for action to the State Board of Education on April 10. Acting upon legal advise, the State Board of Education authorized a process to notify publishers that charges for non performance will be collected and deposited back into the Instructional Materials fund. Yearly reports to the SBE have been placed on the SBE's master calendar and will be addressed on each July's agenda.

Recommendation Nine: The General Assembly may wish to review methods for allocating funds for instructional and library materials.

SDE concurs with the recommendation. We believe the General Assembly in its review of the student base cost prior to next year's legislative session should include a review of the formula for allocation of instructional materials funds. The formula for allocating instructional materials funds should be studied by the General Assembly in light of the equity lawsuit and instructional needs.

SDE will also conduct an immediate study of the entire instructional materials distribution process and make improvements within the purview of the State Board of Education and State Superintendent of Education. Actions warranted outside of the purview of those two bodies will be forwarded to the General Assembly for consideration.

cc: Cheryl Ridings, Deputy Director

This report was published for a total cost of \$1,030.47; 350 bound copies were printed at a cost of \$2.94 per unit.